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The Future of Data in Banking

Getting Ahead with Advanced Analytics

The banking industry is undergoing a profound transformation, with data emerging as a central pillar of modern banking operations. Data spans decision-making, enhancing customer experiences, and optimizing operational efficiencies. In this age of digital data-centricity, data is not only abundant but also a functional, critical aspect of all business operations — from customer engagement at the front to risk mitigation at the backend.

From customer transactions to market analysis, every facet of the industry relies on data-driven insights for informed decision-making. As customer preferences shift to a more digital-forward channel for interactions, the volume and variety of data that is generated has surged and creates both challenges and opportunities for banks.

Staying competitive: Data as the lifeblood of banking

In order to maintain their competitiveness against traditional peer banks and the emerging threat of neo-banks and fintech companies, incumbent banks must harness their data assets not only to enhance their customer experience but also to streamline operational efficiency and proactively mitigate risks.

Challenges in making the switch to data-driven banking

This shift within the banking industry is pressuring traditional banks to evolve rapidly or face being outpaced. In this fast-changing landscape, where stringent regulatory demands persist, old methodologies are becoming obsolete. CRM systems, such as Salesforce, are foundational and indispensable tools for revolutionizing customer engagement, and their successful integration is key for banks undergoing digital transformation to maintain relevance and a competitive edge.

However, this transition toward a data-driven banking model comes with its fair share of hurdles. The top challenges that financial institutions continue to face are:

- Regulatory compliance and data privacy
- Data quality and integration
- Technology and innovation
- Customer expectations and personalization

Let's consider the challenges and pathways forward for banks to adapt and win over the long term.

Regulatory compliance and data privacy

Alongside rapid technological advancements and evolving customer expectations, regulatory compliance has become a fundamental element. Banks and credit unions are now tasked with navigating a landscape that is not only complex due to technology and market shifts but also increasingly stringent in terms of regulatory demands. Adhering to a variety of regulations, from data privacy laws to anti-money laundering directives, is crucial for maintaining trust in operations. This necessity to balance innovation with compliance adds another layer of complexity as financial institutions harness the power of data efficiently or risk falling behind in a fiercely competitive market.

To this end, robust data protection and encryption techniques are pivotal. Encryption at rest, especially when performed close to the end user, enhances security significantly compared to encryption near the storage layer. End-to-end encryption is particularly effective, ensuring that clear text data and encryption keys remain secure from external attackers or rogue admins.

Embracing business continuity in the shared responsibility model

When it comes to business continuity, the focus must be sharp and clear, especially within the context of CRM systems. The shared responsibility model underscores that the management and protection of customer-facing data channels fall squarely on financial institutions. This requires an assertive stance in owning and managing data responsibilities. Financial institutions must fully embrace this responsibility, ensuring the continuous availability, integrity, and security of customer data within CRM platforms. This is a critical aspect of maintaining trust and operational continuity in today's digital banking landscape.

Evolving regulations

The landscape of financial services regulation is significantly influenced by a complex web of regulations, including regulations like the General Data Protection Regulation (GDPR), California Consumer Privacy Act (CCPA), Payment Card Industry and Data Security Standard (PCI DSS), Bank Secrecy/Anti-Money Laundering Act (BSA/AML), Sarbanes-Oxley Act (SOX), Gramm-Leach-Bliley Act (GLBA), Dodd-Frank Act, and various cyber security directives. They have all profoundly impacted the banking sector, compelling a fundamental shift in how financial institutions handle, manage, and protect customer data. For example, the GDPR and CCPA have not only raised the bar for data privacy standards but have also created a new era of data rights for consumers, reshaping the data governance landscape in banking.

In this landscape, the tradeoff between security and usability is a constant consideration. Initiatives like data classification help identify sensitive data requiring the highest security, acknowledging that end-to-end encrypted data, while secure, limits server-side data processing capabilities.

Faced with these regulatory challenges, banks are challenged to navigate the complex tasks of using data for personalization and customer experience while simultaneously ensuring strict adherence to privacy laws. The pace of innovation is currently outpacing regulatory changes, leaving gaps in comprehension and implementation. Navigating this landscape requires a keen awareness of regulatory changes and proactive strategies to address potential gaps or ambiguities in the current regulatory interpretations.

Balancing privacy with service enhancements

The balance between innovation and compliance is delicate and critical. Financial institutions have to rapidly evolve their data handling practices, ensuring they are not only compliant with current laws but also prepared for future regulatory changes and remain agile enough to make necessary changes. This requires a blend of technology, robust data governance policies, and a culture of compliance that goes across the entire organization. Data masking or tokenization, wherein original sensitive data is encrypted end to end and a masked version is stored on the server, is an effective strategy to minimize data sensitivity while enabling processing. For instance, in fraud detection, a bank might encrypt the entire credit card number while storing only the last four digits in clear text. This approach maintains the ability to detect fraud patterns without exposing the full card number.

Data quality and integration

Financial institutions are often overwhelmed with data from many disparate systems and the sheer volume and diversity that come with traditional transaction and digital transaction data. Financial institutions face challenges in integrating these diverse data streams due to common issues like discrepancies in data formats and varying data quality. Timeliness is also crucial, as outdated data can lead to flawed conclusions or missed opportunities. A critical procedural challenge is the standardization of cleansing the data in order to improve accuracy, consistency, and reliability.

The legacy system gap and the rise of CRM as a central asset

The gap left by legacy systems in handling digital engagement and automation is now being filled by CRM platforms. These systems are taking on more data, processes, and automation than ever before, making them more indispensable. Early adopters of this approach are already unlocking incredible value, showcasing the potential of fully leveraged CRM systems in the financial services sector. This is the approach that has led neo-banks and fintechs to such success.

However, this shift also brings an increased responsibility for the data housed within CRM platforms. As these systems become central to banking operations, the responsibility for maintaining the integrity, security, and continuity of this data intensifies. This goes back to the earlier focus on the shared responsibility model and the critical role of financial institutions in ensuring robust data governance and business continuity.

Technology and innovation

The integration of cutting-edge technologies like AI and big data analytics with existing legacy systems presents a complex balancing act for financial institutions. It's a challenge that involves not just technological compatibility, but also significant investment and potential operational disruptions. Despite these challenges, the integration of new technology is crucial for banks to remain competitive and responsive to the evolving demands of the digital age.

Balancing the old and the new

Financial institutions must strategically approach this balance. This requires devising a roadmap for gradual integration, focusing on scalability, security, and staff training. This approach ensures a smooth transition, allowing banks to harness the power of new technology while maintaining the reliability and stability of their legacy systems.

Customer expectations and personalization

Customer expectations have evolved dramatically, with an increasing demand for personalized services. Customers now expect banks to understand their unique needs and preferences and offer tailored products and services.

The modern customer is well-informed and tech-savvy, seeking services that align with their individual financial goals and lifestyle. Personalization in banking goes beyond mere customization of services though; it involves leveraging data analytics to provide insightful recommendations and proactive services. This shift necessitates financial services companies to adopt a more customer-centric approach, using data to gain deeper insight into customer behavior and preferences.

Shift in decision-making basis

This demand for personalization has significantly altered the decision-making process. Decisions are now more data-driven, with a focus on understanding and anticipating customer needs. Companies are now employing advanced analytics and AI to process customer data, enabling them to make more informed decisions about product offerings, marketing strategies, and customer service enhancements. This shift not only enhances customer satisfaction but also positions banks to protect responses to market changes and emerging trends.

Data analytics and insights

Effective data analytics is central to strategic decision-making and enhancing customer experiences. But the success of data analytics depends on the implementation and integration within the company's core operations. The key to leveraging analytics effectively lies in three main differentiators that work together.

- Predictive and prescriptive insights: There has been a notable shift from a reactive approach to a more forward-thinking strategy, where predictive and prescriptive analytics play a pivotal role. For example, a bank may use predictive analytics to analyze historical deposit data. This analysis might reveal, for example, that deposit activity peaks in certain months, perhaps due to seasonal employment patterns or annual bonus distributions.

- Business context: Embedding analytics within the business's operational framework ensures that insights are directly applied to enhance decision-making processes. This strategy is then integrated into the bank's business context. The bank aligns its marketing, customer service, and product management teams around this initiative, ensuring that all departments understand the rationale behind these targeted offers and are prepared to support them.

- Action framework: Within the bank's CRM system, an action framework is established. This framework enables customer service representatives to proactively offer these targeted deposit incentives to customers who are identified by the analytics as most likely to increase their deposits during these periods. The framework ensures that these offers are not just theoretical strategies but are actionable items that staff can execute directly within their existing systems.

How do you track and measure success? To ensure that insights are effectively driving ROI, a financial institution would, for instance, set up metrics within the CRM to track the effectiveness of targeted offers. This could include monitoring increases in deposit volumes during a campaign period, customer uptake of the special offers, and overall customer satisfaction.

Case study: Revolutionizing customer engagement through data analytics for a leading national bank

One of the largest national banks is an Atrium customer. They needed a strategy for reducing customer attrition and maximizing customer lifetime value with the use of predictive analytics. This case study outlines the challenges faced by the bank, the solutions implemented, and the resulting business growth and customer satisfaction improvements.

Initial challenges

The bank faced significant challenges in customer retention, struggling to reduce customer attrition and maximize customer lifetime value. A critical issue was the lack of a clear definition of customer churn and the absence of a systematic approach to identifying and addressing factors leading to customer disengagement.

Solution implementation

- Defining customer churn: The first step involved collaborating with Atrium to develop an accepted definition of customer churn, which was crucial for a targeted strategy.
- Comprehensive data analysis: Atrium's data science team conducted an extensive data analysis to identify patterns and trends in customer behavior. This process also involved assessing data quality and consistency to ensure reliable analytics.
- Predictive analytics model: Leveraging the insights gained, Atrium built a predictive model to proactively identify clients at higher risk of churn. This model allowed the bank's relationship managers to understand which accounts were at risk and where to focus their retention efforts.
- Improving retention strategies: The bank used the model's findings to enhance their customer retention strategies, identifying not only the red flags indicating potential churn but also opportunities for proactive and personalized customer engagement.
- Incorporating third-party data: To expand business and reduce risks, the bank integrated valuable third-party data from Bloomberg/UCC into their analytics. This included diverse information like client revenue, geographic region, and maturity date.
- Dashboard for relationship managers: Atrium developed a user-friendly dashboard that combined Bloomberg/UCC and Salesforce data. This tool enabled relationship managers to quickly identify prospective clients and make informed decisions without manually analyzing extensive reports.

Results

- Reduced customer churn: The predictive model and improved strategies led to a significant decrease in customer churn, enhancing customer loyalty and retention.
- Enhanced business growth: The integration of third-party data and the development of an efficient dashboard facilitated quicker sales processes and more effective prospecting, contributing to business expansion and diversified revenue streams.
- Increased customer satisfaction: With better insights into customer needs and behaviors, the bank was able to offer more personalized and proactive engagement, leading to higher customer satisfaction.
- Competitive advantage: The comprehensive data analysis and the seamless merging of sales data provided relationship managers with the necessary tools to stay agile and competitive in their territory and industry.

The national bank's journey with Atrium toward a data-driven approach in customer engagement exemplifies the transformative power of predictive analytics in banking. By accurately identifying and addressing the factors leading to customer churn and effectively utilizing data for business growth, the bank not only enhanced customer satisfaction but also achieved substantial growth in its business operations.

Making the move to data-driven banking

The transformation of the banking industry is deeply rooted in the increasing significance of data in every aspect of its operations. As the industry adapts to the digital preferences of customers, the growing volume and diversity of data offer both challenges and opportunities. Banks are concentrating their efforts on utilizing data to improve customer experiences and enhance operational efficiency, all while navigating the complexities of regulatory compliance, ensuring data quality, and integrating new technologies with established legacy systems.

To overcome these challenges, banks are increasingly turning to advanced analytics and CRM technologies to attain a comprehensive view of their customers, which is crucial for delivering personalized services and making informed decisions. This transition involves a careful balance between adopting new technologies and maintaining the stability of existing systems. The implementation of predictive and prescriptive analytics, integrated within business operations and executed through action frameworks in CRM systems, is central to this transformation. Such strategic measures enable banks to harness data effectively, bolster customer engagement, and generate significant ROI in a fiercely competitive market.

It starts with your data strategy

As the banking industry evolves, it becomes increasingly important for banks to develop robust data strategies. They must ensure data security while embracing innovative technologies to stay ahead in a rapidly changing, data-driven environment. This shift is not merely a necessity but a strategic decision to turn operational challenges into opportunities for growth, increased efficiency, and improved customer engagement.

At Atrium, we find that when used together, Odaseva, Snowflake, and Salesforce provide our banking customers robust access and data insights within the regular workflow. Simplifying access to information from disparate sources within Snowflake can drive better decision-making and better business outcomes in Salesforce. Here is a brief overview of our focus on the two, an approach which typically starts by focusing on experience, be it user and/or customer.

Data modernization with Snowflake

The age of “big data” has evolved to cloud data. Formerly cutting-edge systems are now seen as legacy, requiring a lot of resources to maintain. Businesses have started to streamline operations and replace legacy on-premise data lakes and warehouses with systems like Snowflake, a Data Cloud that doesn’t require years of planning to scale. We now have the flexibility to land data for immediate accessibility, so that agile product teams can transform data iteratively for rapid value creation.

As a premier Data Cloud, Snowflake complements and enhances a business’s investment in legacy technologies, CRM, and advanced analytics. At Atrium, we have also had customers use Snowflake as their overarching cloud data infrastructure. In either case, with a common goal of reducing costs in computing and storage, Snowflake enables simpler, streamlined access to your most valuable asset: your data.

Data security with Odaseva

As data becomes increasingly integral to the operation and success of businesses, the need for a robust data protection strategy becomes even more important as businesses move to the cloud. Businesses need to assess the risks involved in managing critical data in the cloud, as well as implement controls to ensure that the data is protected and used legally within their industry. The efficacy of a data protection strategy is measured by its ability to withstand emergent threats.

As a leading enterprise data security platform, Odaseva ensures effective, secure handling of data. Establishing trust with cloud providers is critical, and Odaseva supports businesses by ensuring that they have the strongest security measures in place to protect data and avoid becoming the weakest link.

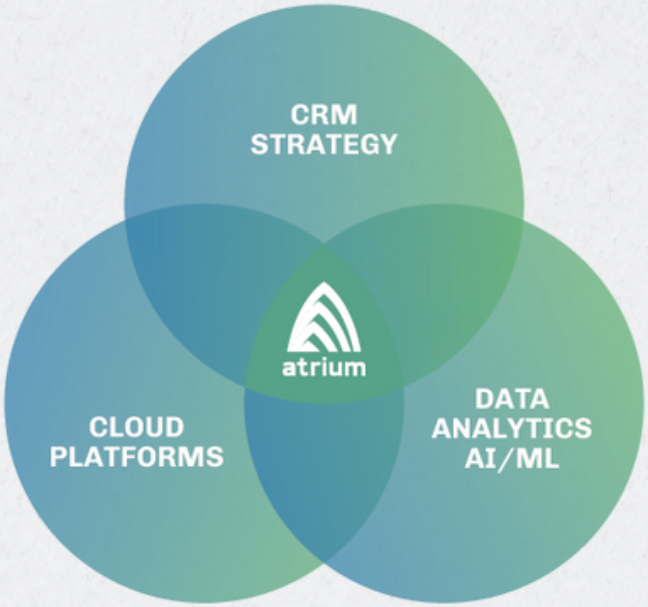
Actionable Insights with CRM Analytics and Tableau

Your data should be able to deliver personalized insights that drive growth, increase revenue, and boost customer satisfaction in the process. With Tableau and CRM Analytics, you can go beyond manual data collection and reactive processes and reap the benefits of data modernization. With Salesforce analytics, you can achieve actionable, automated data analytics and AI with data strategy specific to the business.

Work with a partner that pays for itself

Atrium is the only consulting firm focused on delivering data-driven CRM strategy by applying the principles of data, analytics, and AI and machine learning to systems such as Tableau, CRM Analytics, and Snowflake.

We help banks maximize the value of their data and bring predictability and growth opportunities to their business. Reach out to meet with financial services leaders at Atrium and discuss the power and potential of your data.



About Atrium

Atrium is the only consulting firm focused on delivering data-driven CRM strategy by applying the principles of data, analytics, and AI and machine learning to a select set of leading cloud platforms including Salesforce, Tableau, and Snowflake. Learn more at atrium.ai.

About Odaseva

Odaseva is the leading Enterprise Data Security Platform for Salesforce. Designed by Salesforce data experts to handle Large Data Volumes and complex data models, Odaseva offers Salesforce architects and platform owners the most powerful and secure tools available to solve the problems at the foundation of the Salesforce data value chain: Backup & Restore, Data Archiving, Data Compliance and Data Automation. Global enterprises leveraging Salesforce as a mission-critical application like Schneider Electric and Toyota rely on Odaseva to ensure business continuity, drive performance at scale, comply with regulations, and secure data operations with power and control. Learn more at odaseva.com.