



How a bank optimizes the use of customer information

The value of insight, the importance of trust

Mobile, social and other digital channels are now an integral part of customer engagement. As expectations evolve, harnessing both internal and external data to create a deeper understanding of the customer is fundamental to success. Tools and techniques that take analytics to the next level have huge potential, but abuse their power and you risk undermining trust and damaging the very relationships you were looking to enhance. Against this background, one major European bank demonstrates that it is possible to generate rich insights that drive mutual benefit.

The banking sector is becoming ever more competitive and major banks worldwide have to deliver services designed to meet the expanding expectations of their customers. But retail banks must also ensure they provide the customer care their customers expect as switching banks becomes less challenging than at any stage in the past. All while improving profitability in a time of severe financial constraints and in an age where customers expect to be able to access banking services around the clock, everyday.

During a recent survey looking at Digital Transformation, Freeform Dynamics interviewed the head of information management at a major global bank that operates in many European countries. Speaking off the record to allow for maximum candor, the executive provided some great insights, starting by highlighting just how important digital transformation is to the organization:

"Digital engagement is central to the way we operate in the banking market. We work on the basis that our customers should be able to manage all aspects of their financial affairs through digital channels."

Today this doesn't just mean online banking via a Web browser on a PC or Mac - a service that the bank has offered for many years. Now the bank also provides a rich set of capabilities optimized for smartphones and tablets:

"From the customer's perspective, it's all about speed, flexibility and convenience, so we must allow them to access their financial information, review their position and execute transactions at any time on any device."

In line with this philosophy, the bank is extending the way it interacts with customers to embrace new digital channels:

"We are working to extend our information layer looking at social media – we need to be where our customers are."

One of the consequences of such digital transformation is a dramatic increase in the volume of data that needs to be stored and managed. While this can have its challenges, it also represents a great opportunity:

The bank is extending the way it interacts with customers to embrace new digital channels.



“There is a huge demand from within the business to create a single information layer which combines all of the internal and external information available to us.”

Beyond social media, the bank is looking at other external sources to see how they could be part of the equation too:

“In some countries we have seen full digitization of public services, and there’s public databases run by the government, that could be accessible to anyone. A big priority at the moment is combining the various sources of external data with our internal information to create richer customer profiles. These allow us to provide the best customer insights and to support the business in serving our customers.”

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From a practical perspective, the need to leverage a greater volume and variety of data places a strong emphasis on the role of alternative tools and techniques:

“A lot more decisions are now based on a dynamic approach, supported by scoring and profiling engines. We are starting to make use of machine learning capabilities, and our analytics landscape is much more complex than we’ve used in the past.”

This translates to a lot of work for the team responsible for supporting the organization with its information management and analytics needs. Requirements are defined in collaboration with business analysts and line of business managers, then raw technology and data are brought together to create working solutions for users:

“We provide solutions and support for every kind of business intelligence, analytics and modelling, across all our business functions. Every solution we deliver out into the business involves some development work. It could be a big project or a small project, but either way work is done in partnership between my team and the business function concerned.”

Given the fast moving nature of requirements, this means applying modern and flexible delivery methods:

“We are using a Lean Six Sigma approach, with continuous monitoring and improvement built into the whole delivery process. The reality is that the first deployment of an analytics environment is never the definitive one. We are in constant communication with the business on how these systems are performing, and improve them accordingly.”

Acting sensitively and responsibly with customer data is critical from both a legal and trust perspective.

Along the way, however, acting sensitively and responsibly with customer data is critical from both a legal and trust perspective:

“Privacy is one of the main issues that we have, in fact everyone has. Apart from our desire to respect customers and their data, it’s better to stay safe because if we make a mistake we lose trust and that could harm the reputation of the bank.”

This has led the bank to adopting a very pragmatic approach. When using social media data, for example, steps are taken to assure the veracity of information, and that appropriate permission to exploit it is secured; no small problem in an age where any individual can have multiple online personalities:

“All access and use of personal information gathered via social media needs to be authorized by the owner.”

Sometimes it is necessary to take the organization and its people outside of their traditional comfort zones in order to achieve results.

Safety and confidentiality must never be undermined by excessive speed of service creation or the temptation to step over the line when it comes to the creative use of customer data.

This explicit permission approach also helps to work around another challenge in the digital universe:

“In many cases we don’t have an assured identity that has been certified. There are some ways to verify the identity of people using independent external sources, so we can build the unified identity. This is an immature area, however, with few standards, and it’s hard to predict how it’s going to evolve. In the meantime, we don’t rely on any information that the customer hasn’t explicitly verified.”

Despite the challenges, the executive we spoke with was very bullish about the way in which new approaches to information management and analytics can support strategic digital transformation. He left us with a key message about being willing to disrupt your own business:

“Sometimes we want to continue using what we know very well, but that’s a mistake. It’s important to keep exploring new options, and keep learning.”

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Analyst view

For many decades, the banking environment in Europe was extremely stable. The challenges associated with moving accounts and payment schedules between different institutions were so complex that few customers switched providers unless the pressures to do so were extreme. In effect, many people opened a bank account when starting work or going into further education, and left it there for the rest of their lives. Those days are ending.

Today it is much easier to switch banks quickly with little disruption, partly due to external regulatory mandates, but also because of a growing awareness among account holders that they really are ‘customers’, and should be treated as such. In addition, traditional banks with physical branches are also faced with the rise of pure web based competition from so-called ebanks.

This is putting great pressure on banks to become more innovative in the types of services they offer, as well as encouraging them to increase their efforts to ensure they can retain existing account holders. However, doing so with security and privacy uppermost in mind is not simple. Banks live on their reputations, so safety and confidentiality must never be undermined by excessive speed of service creation or the temptation to step over the line when it comes to the creative use of customer data.

Digital transformation requires big changes in the IT technologies used to service customers, but it also stresses the need for the culture of banks to evolve as well. Safe and effective digital interaction with customers requires a new type of bank and banker.

About this series

This interview is part of a broader global Digital Transformation study “Exploiting the Software Advantage: Lessons from Digital Disrupters” which can be downloaded [here](#).

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