Effective Banking Analytics: Four Steps Every Bank Must Take

Being able to strategically use information gathered across the business has become increasingly vital to a bank's profitable operations. As a result, banks and other financial institutions of all sizes are grappling with ways to best manage the data at their disposal. Crowe has helped many banking clients find practical, profitable solutions to the real-world challenges they face from information management. The following are four recommended best practices based on Crowe client engagements.

Establish Trust in the Data

Challenge:

Many bank employees are wary of trusting new data warehouses and instead revert to legacy source systems and reports. When the existing data stores are based on legacy software and approaches, the bank must run manual scripts to upload, manipulate, and transform data before integrating it into the data warehouse. Because of this approach, the bank compromises its ability to achieve the highest levels of analytic competence.

For this very reason, one bank that was combining data from 20 different sources began distrusting the data it analyzed. It found that some ratios were not as expected. Investigation by Crowe uncovered that the technical personnel managing the data warehouse sometimes loaded the wrong data or overwrote needed data. These errors were identified only once business users generated reports or reviewed key performance indicators.

Solution:

With the guidance and assistance of Crowe, the bank analyzed its people, processes, and technology to determine how it could establish trust in its data. To facilitate high-quality data, the two teams also defined standards and controls for collecting and entering information into the data warehouse. The foundation of this approach was to validate and reconcile data added to the warehouse from the onset and then to reconcile data throughout the life cycle of the reporting system in use.

Overcome Reliance on Spreadsheets

Challenge:

Business users often pull data from a mainframe system or application into a spreadsheet rather than wait for the IT department to deploy a more robust analytics solution. However, the drawbacks of doing so outweigh the benefits. Namely, separate spreadsheets abound, often with little or no governance or control, resulting in multiple sources of truth. Although users can manipulate and view data in various ways using spreadsheets, users are limited by the amount of data the application can handle. In addition, viewing data in rows and columns severely affects analysis.

Because every spreadsheet is based on its own calculations and variations of the truth, it's difficult to aggregate data or formulate a clear understanding of all data points. The bank is at risk of knowledge loss if just one person or a few people understand the data in each spreadsheet. It is challenging to explain how data was controlled or governed when it was manipulated in a spreadsheet, and as a result, it's difficult to verify that the data is auditable.

Solution:

Crowe has worked with numerous clients that struggled with using spreadsheets to analyze their data. Our recommendations include automating data extraction and transformation and loading and deploying an enterprise-class data warehouse with robust analytics layered on top. Banks that use these tools and strategies gain the functionality, reporting, and dashboards they need, all while facilitating data control and governance. Through the visualization and multidimensional data views enabled by advanced analytics, one Crowe client was able to analyze trends and spot early warning signs about credit risks.

Adopt a Data Scientist's Mentality

Challenge:

Banks need to draw the right conclusions from the data, as a failed analysis can have severe results.

Consider a regional bank that wanted to cut operational costs. A small test showed that the bank could achieve its goal by replacing tellers with tablet computers to create a virtual banking environment. The bank extrapolated the results of its test across its entire business but had failed to conduct a reality check on the data analysis. The bank had overlooked the fact that most customers enter a bank when they want or need to interact with a teller or manager. This misguided business decision ultimately hurt the bank's differentiator as a people-oriented community bank.

Another bank took at face value that its high suspicious activity report (SAR) yield rate was acceptable. In most cases, banks would conduct below-the-line testing and tuning after seeing such a high rate, but this bank did not because it had configured the monitoring system to suit its particular customer base.

These banks failed to question the results of their analyses or relied too much on their perceptions of how their businesses operated. The banks lacked the ability to prepare and conduct a proper statistical analysis grounded in objective reasoning.

Solution:

To take a new approach, these banks needed the mindset and discipline to continually interrogate their data. Crowe has worked with more U.S.-based financial institutions than any other consultancy. By harnessing our broad understanding of banking, along with domain expertise on credit risk, regulatory compliance, and other bank-specific issues, we can apply data science effectively to particular banking business cases. Moreover, we bring to bear the technical expertise and analytic acumen to deliver meaningful insights.

Establish True Alignment Between Business and IT

Challenge:

IT and line-of-business (LOB) users in banking can feel as if they are focused on different priorities. Although the IT group often is responsible for managing and loading data, business users frequently feel that their data needs are not being met. In such environments, SAR analysts may struggle to effectively do their jobs.

Solution:

Crowe worked with one investment banking firm that had achieved a high degree of alignment between its LOB and IT staff. The startup hired a data warehouse developer to act as the liaison between the business users and IT. Initial training focused on fully educating the liaison on the investment banking business. This liaison then spearheaded sessions led by IT to educate the LOB users on how they could use the firm's analytic tools to gain desired business insights. Due to this cohesion and collaboration, the IT team was able to develop robust anti-money laundering and fraud monitoring and analytics and configure effective problem-solving by trial and error. As a result, the firm has reported being at least 25 times more efficient than its competitors in detecting and minimizing fraud risk.

Crowe Helps Banks Achieve Analytic Heights

Effectively managing and harnessing all the data across their environments proves to be a major challenge for many banks and other financial institutions. Yet the benefits of doing so are clear: critical insights that inform strategic decisions and yield better operational performance. To achieve this level of analytic prowess, banks must address numerous elements, including the process, tools, and mindset underlying their analytics initiatives. Many banks are engaging knowledgeable third parties to take their analytics to new heights.

As the examples presented here illustrate, Crowe is positioned to help banks accomplish this goal. Crowe serves more than 1,100 institutions of all sizes, bringing an intimate understanding of the data management issues facing a variety of banks. By calling upon this knowledge, Crowe consultants can provide banking institutions with strategic guidance on how to effectively manage and tap into their data. When properly implemented, these recommendations can help banks achieve new levels of data insight.

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