

Better navigation in a challenging environment

Technology keeps revolutionizing the retail banking industry, and data analytics seems to sit at its core. Given increasingly complex processes, organisational structures and regulations, business intelligence is becoming a vital tool for senior executives. **Thomas Zink** speaks to Vivek Subramanyam, CEO of iCreate

Today's retail banking industry faces multiple challenges such as growing regulation, a more complex risk environment, increasing competition from both within and outside the industry, as well as rapidly changing consumer needs and with low customer stickiness.

Knowing your profitable customer segments, key business drivers and risk measures allow banks to move to a more proactive approach instead of fire fighting once it gets into serious trouble.

Vivek Subramanyam, CEO of iCreate says: "Business intelligence (BI) offers a huge opportunity today, but it is mainly the large banks that are able to take advantage of it. The level of investment in small and medium banks remains relatively low. But eventually banks have to consider their capital allocation and decide on how to use the capital most efficiently. Knowing where your organization stands is becoming a necessity."

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It is no surprise that motivation and buying behaviours for business intelligence solutions vary largely according to the size and maturity of a bank. Building BI capabilities is not an easy and certainly not an inexpensive endeavour for a bank.

Subramanyam observes: "In the emerging markets about 40% of the banks are still not at a stage where they have invested in any advanced data infrastructures. Instead they have a small team writing codes, crunching data, and dumping data into Excel sheets. These are usually the smaller banks and today they are looking for the right platform rather than advanced business solutions. Another 40% of the emerging market banks have made first steps towards business intelligence, but they don't have an integrated, scalable



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enterprise-wide infrastructure. They are looking not only for a platform to industrialize data analytics, but also for solutions to solve specific challenges of particular business units. These banks want increasingly advanced solutions allowing them, for example, to do forecasting or budgeting, and they want to be prepared for the future. They do not just look for a solution to handle current Basel II requirements, but they want to be prepared for Basel III. The remaining 20% are advanced banks that already have the necessary data infrastructures in place. These players are rather looking for point solutions to leverage data to solve specific problems."

Governance, risk and compliance (GRC) has become a key driver for investing in more advanced business intelligence systems today. With every banking crisis and scandal, regulators implement more controls and rules that banks have to comply with. The focus and investment banks have to put into compliance today is an enormous business challenge, which is only becoming bigger over time. "Simply adding more people is not a solution", says Subramanyam. "Regulators increasingly question the quality of manual processes in compliance. They want reporting to be automated."

"In fact, when times get tougher, there is an even higher need for BI systems – simply to understand what is working fine and what is not", claims Subramanyam.

"From a business point of view, I believe BI is among the top three priorities of CIOs today, simply because so many things have been automated."

Customer analytics is a good example, as banks need to know which products, services and channels are working with the customer and where they have to improve their offering. Being able to measure and identify relative weaknesses helps business managers to focus and navigate on priority areas to acquire new customers, retain existing customers and grow their wallet share.

"Quite a number of banks are currently in a customer acquisition spree in emerging Asia," observes Subramanyam. "But they also see a lot of churn. They want to understand their customers better to increase the level of engagement. There is a heavy focus on solutions around understanding customer behaviour."

With the increasing adoption of alternative channels, banks stand the risk to lose the personal touch to their customers, due to reduced direct interaction to resolve complaints and cross-selling products.

"Understanding the efficiencies of alternative channels and [using] them to breathe more intimacy into the customer relationships, despite the lack of physical contact - is crucial for banks." Banks need to look beyond internal data and start to look at external data such as social media to understand customer behaviour and react to potential frustration quickly before customers leave the organisation.

BI is a helpful tool to understand the dynamics of a challenging business in an increasingly complex environment and automated organization. Packaged solutions today also allow smaller players to leverage the technology without the need to replace their existing infrastructure. In the end it is up to the bank and its executives to put the right culture in place to make use of it. Subramanyam recommends: "You need a serious level of involvement from a bank, a fact that seems to be underestimated. BI should ideally be a C-level initiative, else it may not get the right prioritisation." ■