TABInsights

31 May 2011

Research Report

Competing on Analytics

Building capabilities in analytics infrastructure and management

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Building Capabilities in Analytics Infrastructure and Management

Data analytics has become a cornerstone for many banks in their efforts to gain better insights into their customers, products and segments served. The increased need for analytical tools and reports has been driven to a large extent by the need to manage risks effectively, especially as many regulators around the region are implementing stringent policies in the wake of the recent financial crisis. Analytical tools are also imperative for banks to gain in-depth insights into their sales and marketing efforts, and provide opportunities to generate additional revenues.

A major survey by Asian Banker Research indicates that banks are currently shoring up their data analytics capabilities. The challenge arises in processing complex data in a seamless, integrated and transparent manner that can address the competing needs of the individual departments, and the entire bank as a single unit at the strategic level. Banks need to adopt a mindset of change, and devote significant human capital and investments to upgrade their IT capabilities.

Our research shows that while banks are ramping up their analytical capabilities, there is still a need to traverse a huge gap in order to be at the forefront of effective data analytics. Banks are slowly migrating towards a more proactive approach in developing advanced forecasting and predictive techniques. There is also a need to scale up the ability to provide real-time, accurate information at a granular level. Combined with an effective decision-making process, the ability to respond swiftly to shifts in business patterns would be a key competitive advantage for banks moving forward.

RESEARCH METHODOLOGY

Survey Profile:

Asian Banker Research is pleased to present this research report based on the findings from the regional Excellence in Retail Financial Services Programme, an evaluation exercise that covers more than 130 commercial banks in Asia Pacific, Middle East and Africa. The survey covered mature markets such as Australia, Hong Kong, Taiwan and emerging markets such as India, Thailand and Malaysia. The respondents represent 10 financial institutions that were identified as key nominees for the Excellence Programme 2011 in the category of data analytics.

Survey Mechanics:

- Regional Survey of 3 mature and 7 emerging market players across Asia Pacific, the Middle East and Africa
- Survey Period: January – February 2011
- In-depth discussions with key executives of the banks
- Additional discussions were combined with quantitative questionnaires and scorecards in order to standardize the response sets

EXECUTIVE SUMMARY

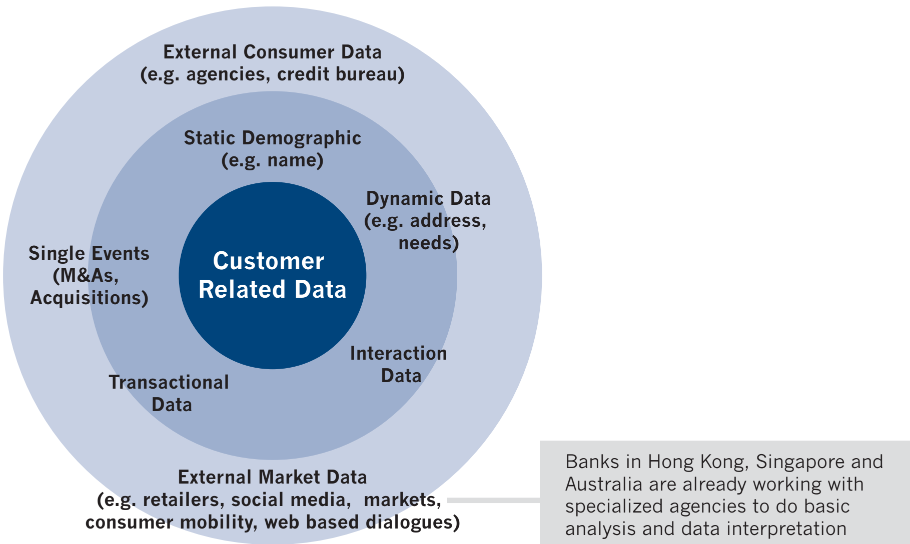
- Banks aim to design an analytics architecture where data obtained can be applied to create business solutions.
- The business architecture needs to acknowledge the important intermediary role of business intelligence (“BI”) to bridge business with data analytics.
- Indirect revenue generated from analytics falls below $200 million for eight out of ten banks.
- Banks have acquired advanced analytical tools, but have yet to achieve a single view across corporate and consumer relationships.
- Data updating and validation continues to be the biggest challenge in analytics, particularly in emerging countries. In one out of two banks, less than 80% of its data is updated.
- Leading banks in the region are now initiating real time analytics. Currently, only 30% of banks are actively developing real time cross-sell leads. Fifty percent of banks do not have real time customer data across the bank.
- Best banks are moving from mere reactionary analysis towards integrated service management. Seven out of ten banks have now acquired automated campaign management systems.
- Banks are now focussing on service management at the front end. They have strong communication rules for minimum intrusion and maximum impact in lead implementation.
- Best banks are moving from mere credit risk scoring to risk-return and propensity analyses for strategic application.
- Leading banks are focusing on regular performance evaluation, with best banks carrying out branch performance evaluation on a daily basis.
- Seven out of ten banks do not provide real time information to business users.
- Analytics requires a shift in business mindset from new acquisition and product sale to customer retention and service management.

1. Data origination and management

Insights into data quality issues among banks

- Banks spend millions of dollars annually rectifying data quality problems.
- Ninety-six percent of all business data is unstructured (e.g. email, documents, hard-copy mail, administrative documents, etc).
- Data warehouses often only report or consolidate upstream data. They (typically) do not reconcile departmental-level source systems of record.
- IT investments have often been made at departmental or divisional level. However customers—especially the most valuable customers—increasingly interact across multiple divisions of their suppliers' entire business.
- Businesses increasingly collaborate across the value-chain with customers, suppliers, shippers, brokers and other partners.

Figure 1 Main data type universe banks are exposed to



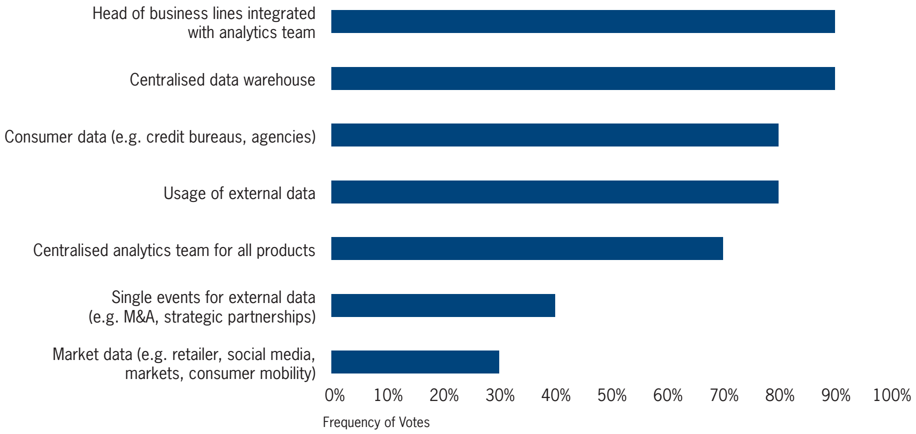
Source: Asian Banker Research

A centralised data warehouse and analytics team are industry standards for almost all leading banks in the region. However banks in emerging markets such as Malaysia, India and Indonesia find the lack of effective credit bureau information and other external sources of information a constraint to their analytics capability.

Banks are also developing alternate sources of data such as market data and social media. However, most banks find that external information sources for events such as mergers and acquisitions, partnerships, etc, still lacking.

Market data are a good source of real insights on consumer preferences and behaviour but banks have not yet been looking into those data types to integrate into their data origination capabilties

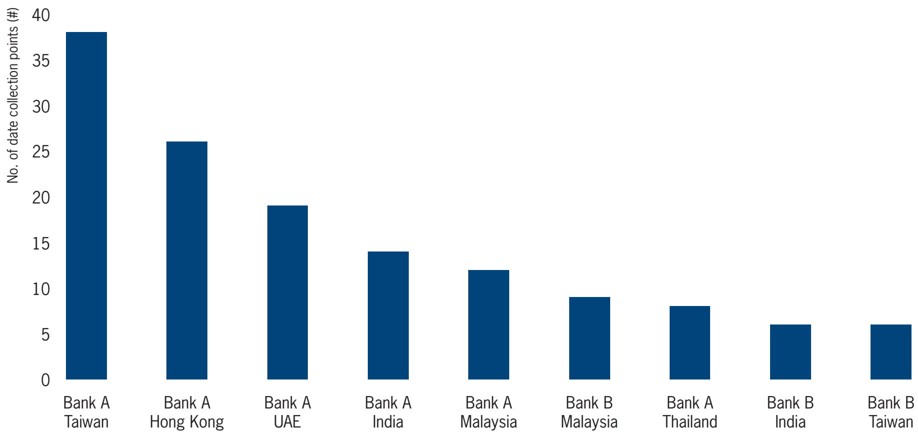
Figure 2 Data origination capabilities in banks



Source: Asian Banker Research, N=10

Centralised data warehouses and heads of business lines integrated with the analytics team are industry standards today, while data integration with single events and market data is still in the development stage. Though banks are working with transactional, demographic and income related data, the real insights on consumer behaviour and preferences are derived from external market data. Players able to harness this data type and mesh it with existing transactional data will reap the biggest benefits in their move toward needs-based sales and servicing.

Figure 3 Number of data collection points



Source: Asian Banker Research

Best banks had integrated additional data collection points in 2010. Banks come from an environment where different businesses and channels were built independently of each other and collating customer responses and information involves demanding data integration across multiple systems and applications.

Selected banks have successfully integrated more than 20 data sources in a centralised data warehouse for an integrated analytics architecture, particularly for consumer analytics. For example one bank has implemented a marketing data mart that provides a collation of customer information gathered from various source systems and touch points within the data management framework of the bank. It stores data at a granular level, which serves as the key enabler for its marketing capabilities by connecting all relevant sources of data, whether mainframe or distributed, internal or external, structured and unstructured.

To tackle the problem of product silos, banks in the region are now investing in new core banking and CRM platforms, a Herculean task that will take years to complete. But along with technology acquisition, banks need to create a master data strategy that has set standards, governance and control to hold the analytics-based business model together.

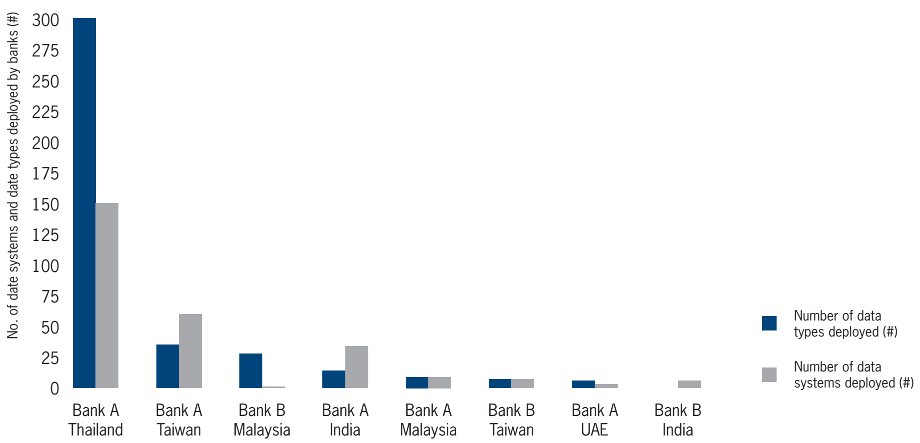
Data updates and validation continue to be the biggest challenge for banks, particularly in emerging countries. In one out of two banks, less than 80% of its data is updated.

Best banks in the region are implementing daily data feeds into data warehouse for granular information to facilitate timely analytics.

One bank in India updates dynamic data comprising demographic, transaction and balance details on a daily basis from a core system to its data warehouse. For many leading banks in the region 50% of data gets updated daily while 50% is updated on a monthly basis.

Industry leaders such as HSBC have long implemented a single view of customer in their database. Others however still find it a challenge. For example, one bank In Malaysia has unmatched customer information such as different dates of birth captured in different systems, unclean identification numbers, incomplete income information, etc, residing in different systems, as such information is not provided by customers upon account opening. Now the bank is using date of birth, gender and first few digits of customer identification card numbers as validation factors for aggregation into a single view.

Figure 4 Number of data systems and data types deployed by banks



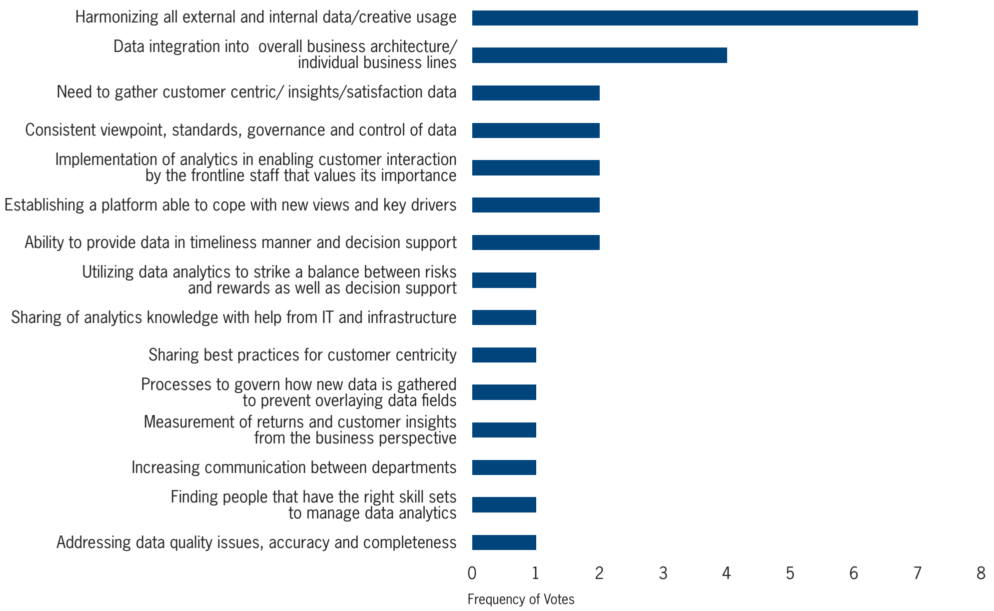
Source: Asian Banker Research

Capturing better customer data has forced almost all banks to integrate various data systems and data types across the bank. This is posing an architectural challenge for many banks. The number of data systems in banks varies significantly but banks have in general directed their efforts to consolidate them to ten or fewer. Data types have escalated in recent years—we observed as many as 300 in one bank.

Banks want to take value chain integration to a new level by integrating it into their corporate and consumer relationships. For example a foreign bank in India wanted to identify customers holding personal financial services in retail banking as well as a commercial banking relationship in the name of their company. This was challenging as the customer IDs of such customers were different for the two relationships and not linked in the core banking system. This bank had to resort to validating information based on different parameters, such as mobile number, name of customer and email identification. Once these customers were identified, the bank could target them with better up-sell and cross-sell programs. The customers' experience also improved as their targeted needs could be identified by the front end.

2. Key priorities of banks in data analytics

Figure 5 What are the most important priorities in data analytics for banks in Singapore?



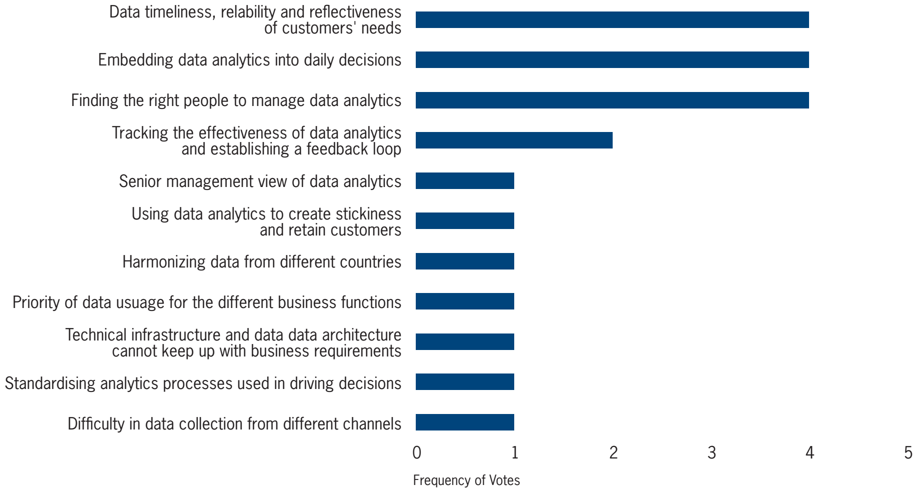
Source: Asian Banker Research, N=31 (Nov 2010)

Banks in Singapore aim to harmonise all data into an easily accessible centralised location to create customer and business solutions

But with an exponentially increasing amount of information available, the management of data is becoming the biggest challenge in the development of analytics capabilities. Market differentiation can only result from the complete and timely integration of customer transaction, and product and interaction data for analytics purposes.

Currently, an integrated single repository of customer information is still a dream for many as information continues to reside in product silos, channels and customer horizontals, particularly in emerging markets such as Malaysia, Indonesia and Philippines. Many banks still struggle to keep dynamic data such as customer contacts and customer behaviour updated.

Figure 6 What are the most important priorities in data analytics for banks in Malaysia?



Source: Asian Banker Research, N=23 (Nov 2010)

Key concerns on data and analytics in Malaysia focus on data management and integration with the business

Best banks in the region have focused on centralised data warehouses and data marts that can link information with a single view. Regional leaders such as HSBC and OCBC have overnight daily data transfer for lead generation every morning to better target customers.

Banks in emerging markets (e.g. Indonesia, Philippines and India) find data update by front line and data validation as important challenges, as the lack of ability to contact clients is a real problem. Banks in Indonesia are struggling with a lack of integration of customer information, as many customers use different customer IDs to open accounts. To increase its customer hit rate banks have resorted to automated updating of contact information through alternate channels such as ATMs, mobile or internet banking.

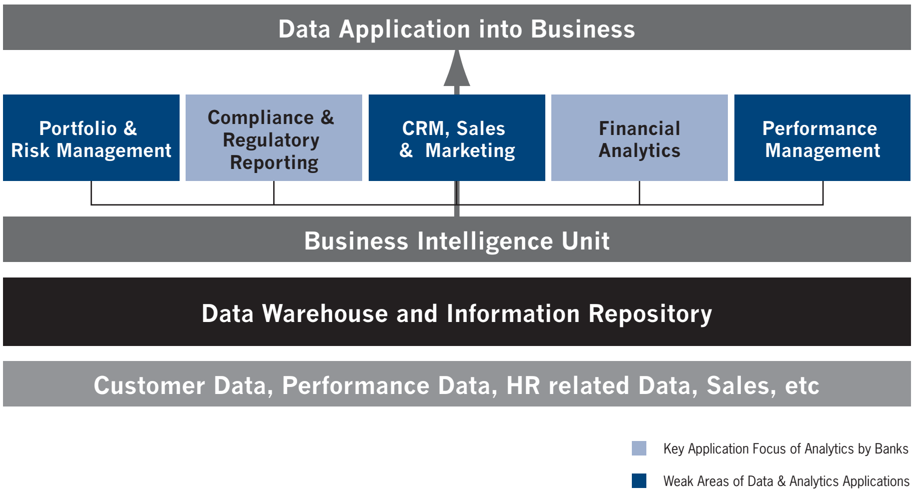
Banks are also finding it challenging to align the mindset and behaviour of front line and business line staff with that of the analytics team. Banks find it hard to reconcile insights generated from analysis with the business managers' experience, given their direct contact with the markets and customers. In most cases, the analytics department receives thus its orders directly from the product, marketing and business managers.

Changes in organisational culture to promote acceptance of analytics insights by business lines and to use them effectively to target customers is the need of the hour.

In selected banks like ADCB we find that analytics is housed as a centralised customer experience unit and culturally engrained into the decision-making process for business. Besides a 360 degree customer information and analysis, it also provides updated data daily for all products and form the KPIs for informed decisions.

3. Where does analytics sit today in financial organisations?

Figure 7 The business architecture needs to acknowledge the important intermediary role of the business intelligence unit



Source: Asian Banker Research

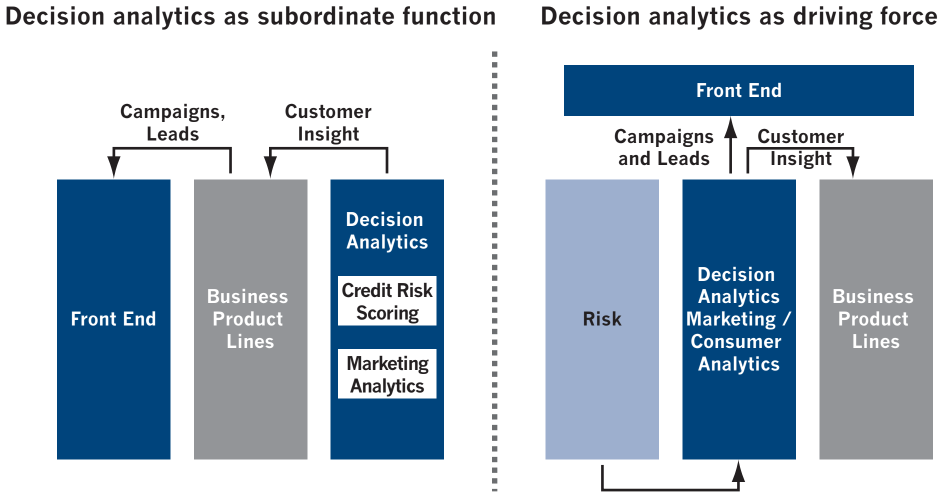
The outcome of valid data is to devise information that can turn data and analytics into real business solutions.

In financial institutions the goal in analytics is to deliver decision support more efficiently and easily to increase the speed at which actions can be taken. The outcome of valid data is to turn data and analytics into real business solutions.

Granularity, speed and frequency are key to enabling decision making to respond more accurately and quickly to the market. Currently banks obtain data on a weekly or monthly basis that is often highly summarised, but what they need is highly standardised and granular data at an atomic level available daily on the data warehouse. Data means different things to different departmental units, and it is differently valued. In order for banks to leverage on their data and analytics functions and to devise information that can create business solutions, we propose the creation of a BI unit which includes the enterprise and customer view.

The function of this unit is not data generation, data management or quality control—it has the sole function of turning data analysis into real, intelligent, actionable business solutions. All subgroups (e.g. financial analytics, marketing, product unit) will have access to the solutions. The BI unit will generate different solutions and information for different business subgroups. The subgroups can interact with each other but they always need to confirm their findings with BI. A key challenge here is to satisfy the information needs of the different groups.

Figure 8 Analytics integration architecture

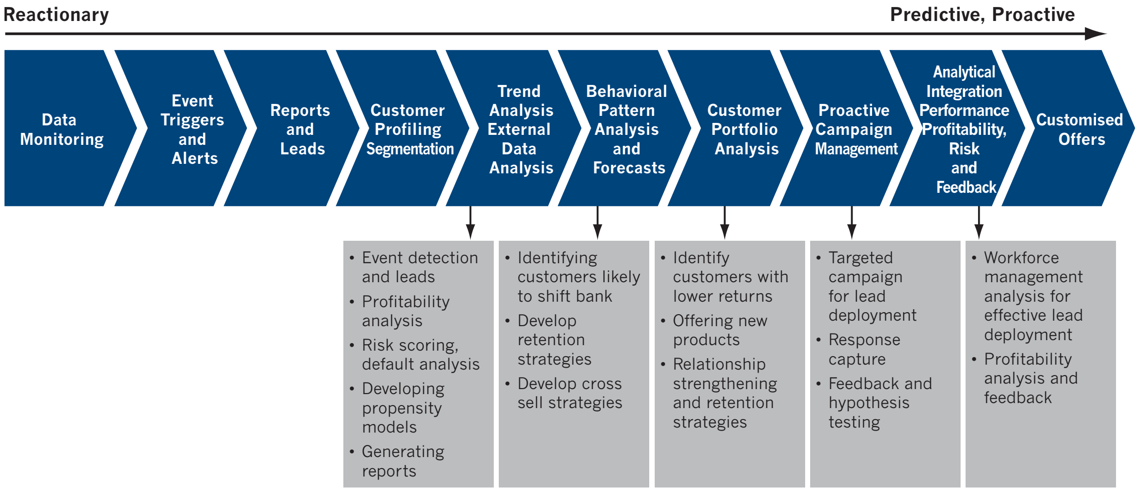


Source: Asian Banker Research

We observed that different banks in the region operate on a different analytics integration architecture
In organisations where decision analytics has a subordinated function, it reports to business product lines which in turn uses information generated for campaign and leads management. This is the most commonly found form in banks.

Decision analytics as a driving force however customer insights are fed to the business product lines and also directly to the front line.

Figure 9 Overview of analytics and lead generation process



Source: Asian Banker Research

Banks have moved beyond mere reactionary analytics to integrated customer service management, being a real business partner to internal stakeholders

Figure 10 Current key initiatives analytics in emerging markets

Analytics	Customer & Campaign Management	Performance Manangement
Bank X Malaysia Predictive model, Insurance propensity, customer scoring and 13 micro segments	**Bank Z India** Centralized campaigns, events and transaction based triggers	**Bank X China** Near real time data warehousing with the ability to generate real time reports impacting all verticals
Bank Y Malaysia Single view of customer product holding, Segmentation	**Bank A India** Direct conversion to sales through inbound channels	**Bank B India** Centralized debtors allocation strategy, pre delinquency management
Bank A India Micro-segmentation to 16 segments, propensity modeling, loss forecasting	**Bank X China** Linking of personal finance customers with commercial banking relationship	**Bank Y Malaysia** Business User to undertake MIS and assist business lines to undertake product
Bank X UAE Credit card behavior analysis. Micro-segmentation		**Bank Y Thailand** Monitor and improve branch performance
Bank X Thailand Infrastructure for advanced data mining		
Bank Y UAE Data mining and analysis. Targeted offers		

Source: Asian Banker Research

Customer micro-segmentation and trigger based campaigns are current focus of banks

The transition from product centric to customer centric execution is visible in analytics today. Banks are focusing on analytical capability for better profiling to target customers with need based products. Going forward, banks aim for integrated campaign management and automation in analytics.

To improve profiling, leading banks in emerging markets are embarking on a micro-segmentation initiative to not only cross-sell more products but also to effectively prioritise service, manage attrition and differentiate treatment of segments in.

Banks like ICICI and ADCB are focusing on recency, frequency and monetary value ("RFM") to differentiate customer strategies. Maybank has expanded its analytics capability to include propensity modelling and ability prediction for higher cross-sell leads.

ICICI also implemented an in-house risk management project for a centralised optimal debtor allocation strategy for different channels based on a debtor's risk profile and scoring. These have been coupled with loss forecasting, pre-delinquency management, payment propensity and recovery models for better risk management.

Effective implementation of leads for higher conversion continues to be a challenge. HDFC Bank targets customers via relevant messaging through data analytics and allows them to close the sale immediately without the need for paperwork. With this the bank is able to target the customer at a time when they are most receptive at their chosen time and channel of interaction.

Figure 11 Current key initiatives analytics in emerging markets

Analytics	Customer & Campaign Management	Performance Manangement
Bank X Taiwan Transaction analytics with customer behavior scores and predictive ability	**Bank X Taiwan** Front end campaign management tools. end to end process integration	**Bank X China** Real time campaign success evaluation
Bank Y Taiwan Customer segmentation, data warehousing revamp	**Bank A India** Direct conversion to sales through inbound channels	**Bank A Australia** Single source of business performance summary including finance, customer, people, process, operation risk for the region
Bank X Hong Kong One bank architecture for integrated customer single view	**Bank X Hong Kong** Event triggers. Campaigns-evergreen and ad hoc campaigns	
Bank X Korea Transaction analysis of credit cards for event triggers		

Source: Asian Banker Research

Banks in mature markets focus on end-to-end process management and targeted campaigns, while end-to-end analytical integration for service management is the trend among best banks.

They have revamped their data and analytics capability to reach a single customer view framework that consolidates information of all its retail customers. Additionally they invested in data mining and campaign management tools for end-to-end process integration in customer contact management and CRM. Other banks have implemented trigger-based campaigns and needs-based product marketing as new initiatives. Yet others have been focused on triggers and scorecards for developing evergreen, ad hoc and business need based campaigns.

Transaction analytics and behaviour scoring is emerging as the new mantra. For example a bank in Taiwan carries out behaviour analyses and transaction pattern studies on its credit card customers rather than just analysing aggregated monthly transactions. This facilitates timely risk identification and cross-selling opportunities.

Real time analytical insights are still a challenge for most banks. Some banks are taking steps in this direction. For example, a bank in Hong Kong provides real time campaign success evaluation such as call performance, etc. while a bank in Singapore is looking at real time lead implementation in branches where a customer can be offered "a next best" product based on his profile whenever he walks into the branch, even if a ready lead for him does not already exist.

While most banks are focusing on consumer analytics initiatives, some are looking into an integrated regionalised information base to provide operations executives across Asia with a single source of business performance information that includes financials, customer, people, process and operational risk. The information will provide visibility to business segment leads on the health of operations and customer service levels.

4. Analytics based marketing

Banks have focused on developing their analytics based marketing more than any other field in retail financial services. Customer centric execution through targeted marketing based on analytical insights gathered with detailed profiling of customers and behavioural monitoring is one of the key emerging trends in the industry.

Deeper insight through granular information has forced banks toward micro segmentation. Current micro segmentation ranges from 50–70 clusters which can be as small as 50,000–100,000 people per cluster.

Leading banks segment data based on potential value generation, life style trends, spending patterns, payroll and potential customer needs for strategy developments targeted at future treatment of the customer. The use analysis of merchant level spend behaviour was the key in identifying behaviour patterns in another player. This includes the RFM value of purchases besides benchmarking monthly spend behaviour against customer's own spend, peer group spend, etc. This model also integrates spend behaviour data with specific segments based on variables such as nationality, age, value segment to make more relevant offers.

We observed a bank in India execute a strategy to win back dormant customers on the basis of the RFM model. The active base, after exclusion of the customers identified as "likely to attrite", was further bifurcated into 16 segments based on the parameters such as cost incurred by the bank on the customer, revenue earned by the bank from the customer, profits from the customer and primacy of the account. With this segmentation the bank developed strategies to, for example, convert to primary, cross-sell, weed-out, upgrade and migrate customers.

Smart banks run numerous daily scorecards across the customer spectrum for targeted marketing. These propensity scorecards and customer segmentation however need to be refreshed on a monthly basis and refined on a quarterly basis at least to keep abreast with changing customer behaviour and business objectives.

Event triggers are heavily relied on by banks for early identification of warnings, cross-selling and relationship building opportunities. Current event triggers in emerging retail financial services markets hover at around 100 on average, while more advanced payers deploy more than 500. For effective deployment, event triggers need to be used in conjunction with analytical overlays. For example some triggers get active during certain times of the year such as Chinese New Year when heavy outflow of funds is common among customers.

In many banks triggers are executed on a monthly cycle, but best practice in one bank in the region prompted the adoption of a daily response to triggers—these triggers generate 50% of its leads.

Triggers can be highly predictive of customer needs but are often time sensitive and need to be responded to quickly to reap the desired benefits.

Some triggers are indicative of events and product needs while others can be highly predictive of future trends and warnings. For example one leading bank follows these broad types of triggers for lead generation:

- Balance growth triggers such as sudden and gradual inflow or reaching eligibility criteria for upgrade.
- Balance decline triggers that can indicate downgrade management.
- Product related events such as bond maturity.
- Demographics such as significant birthdays, etc.
- Calendar considerations (bonus, vacation, tax season etc).
- Personal loan term triggers for top up and other action.

Increasingly banks are improving granularity of information for lead generation. Some banks such as Taishin Bank focus on transaction data analysis rather than month end customer data to predict customer behaviour. With transaction patterns, changes in customer purchase behaviour can be better tracked, for example high risk behaviour of a card customer through his spends can be better identified through transaction analysis rather than month end spend data.

Only a quarter of the banks in the region have been successful in lead conversion ratio of more than 30%. While best banks develop leads of over 30 million every month, the conversion ratio of these leads is less than 10% in 40% of banks

To improve lead conversion, right channel allocation and timely lead implementation are critical. Banks are now looking at inbound marketing for higher lead conversion. For example, one bank in Taiwan has launched direct a conversion campaign through its inbound channel. Here the customer would be shown a relevant message using data analytics, and for selected products, the customer can confirm acceptance thus closing the sale there and then. Internet banking and ATM channels have been actively used for this and it has significantly improved the lead conversion in products like recurring deposits, credit cards and debit cards.

Optimum channel allocation for leads is another area of focus to improve lead conversion. One bank in India for example developed channel allocation strategy based on customer behaviour in credit cards business. Here customers with low outstanding were allocated to low cost channels and this improved collection, reduced costs and also improved usage for other channels besides reducing the costs.

Best banks are also increasingly focusing on dynamic profiling at the front line. Even if a customer walks in and a lead is not generated, the bank will be able to recommend a next-best offer based on his profile.

Some banks are hoping to develop an edge with real-time analytics capability for higher success in cross-selling. Banks like OCBC have already started to implement real-time analytics capability in branches. Other banks are looking at e-channels and social network sites for real-time lead deployment.

Banks have developed communication rules (over 600) e.g. recency rules, intrusive quality of lead assessed and timing. They are also training branch staff with telesales skills for behavioural change towards sales push.

Banks are targeting at improvement in lead conversion in electronic channels as well. One leading bank plans to capitalise on real time opportunity when customers view a webpage for products. Banks also plan to tap the customers at inbound calls at contact centres. Selected banks are also looking at Facebook and other social networking sites for interaction, feedback and real time up-sell.

Achieving automation is a near-term target for many domestic banks that still work on cobbled systems and manual processing systems. The timing of conversion of this data into information is fast becoming a critical differentiator in analytical and campaign management capabilities.

Automation of data mining, analytical processes, report generation and campaign management are the focus of almost all leading banks in the region. Best banks in the region have deployed 100% campaign management system and have 100% automated data input at the front end.

Leading banks have daily data upload into warehouse for granular information and target at more than 80% automation in business reports to users. These are often achieved through automated mailers and daily reports to business users.

Best banks have implemented automated decision making engines for processes such as loan approval, risk management and application processing.

Real time intelligence to business users is another upcoming trend among leading banks, for example banks like Chinatrust and HSBC target at real time campaign success evaluation.

Automation systems can assist banks in providing targeted and timely information to relevant staff while ensuring data security. For example a bank in India shares data with its branches through its sales force automation system. This is a secure medium which enables branch team to view the data but critical customer related information (like contact numbers, etc) are not downloadable to ensure data security. This enables the branch to capture feedback from each customer and also helps in tracking data statuses. This can help in refining and fine tuning campaigns.

5. Success rates

Despite improved analytical capabilities in campaigns, the success rate in our sample of 15 banks is on average 6%, ranging from 2.5–12%. Leads conversion rates for analytics driven marketing campaigns are on average 15% in the same sample.

Banks realise the need for seamless integration and complete automation of the entire value chain, from data analytics to campaign and service management. To achieve the practical applicability of analytical insights across millions of customers, banks are now deploying lead optimisation engines that can identify the best leads for a specific customer and channel them to optimise their capacity.

Campaign success rate is low despite the fact that almost 70% of banks in the region have automated campaign management systems. One of the challenges faced by banks today in improving this success rate is the analytics insights integration with business units. Businesses often want to run campaigns based on calendars or targets, however, analytical insights can identify campaigns which are much more timely and targeted for customers.

Even leading banks have a substantial number of ad hoc campaigns which are product centric and targeted at meeting product targets rather than customer centric based on customer needs.

Best banks are targeting at customer centric need-based campaigns where the success rate is much higher. This demands a change in organisational culture with regard to acceptance of analytical insights, particularly by front end and business units.

Best banks are also engaging in real time campaign success evaluation, for example call performance analysis, etc for feedback to improve future campaigns.

6. Current development of analytics capability in banks

Figure 12 Current key initiatives in analytics (2010/11)

Performance Management	Level of development
Real time BI to business units	Potential for further development
Availability of management dashboard	Fully developed
P/L analysis on unit level (Branch, ATM)	Fully developed
Frequency of branch performance evaluation (days)	Developed

Behavioural Analytics	Level of development
Event detection(triggers, rules)	Fully developed
Decision making engine	Developed
customer centric profit valuation	Fully developed
Predictive modeling	Fully developed

Risk Management Analytics	Level of development
Automatic increasing/ decreasing of customer credit lines	Potential for further development
Interval updates for scorecards	Potential for further development
Use of historical data	Fully developed
Risk scoring integrated with customer analysis	Fully developed
Credit loss forecasting	Fully developed
Risk/return analysis	Potential for further development
Risk based pricing	Developed

- Fully developed
- Developed
- Potential for further development

Source: Asian Banker Research

Analytics insights within the organisation are commonly located in independent and often not well integrated units, namely performance analysis, risk analysis and consumer analysis. Consumer analysis, owing to the fact that it has the largest impact on financials, is the focus of almost all leading banks in the region.

Most banks in the region have developed consumer risk analytics as an independent function that can use behavioural and propensity analysis for risk scoring and strategy development, particularly for recovery and portfolios. Leading banks are now waking to the need to integrate the findings of risk and marketing analytics for future growth.

Real time BI to business units and risk analytics are other key areas where banks have yet to develop strong capability in the region.

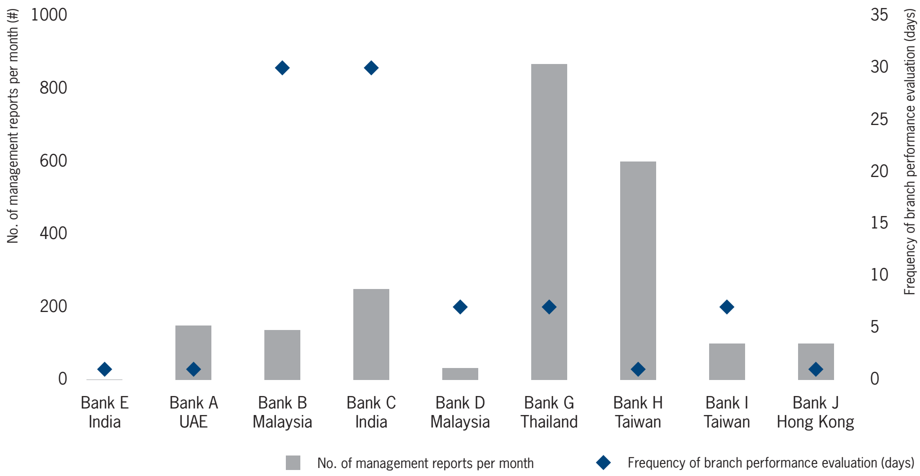
Enabled with deeper insights and risk return analysis, few banks plan to offer customised products, and risk and value-based pricing will be the differentiation tools in the near future.

Key challenges in risk analytics have been the lack of credit bureaus in many countries. This has challenged banks as the lack of market information on customers results in higher leverage offered to them than their capacity to pay. Selected banks, for example Bank A in Malaysia is now establishing a credit risk data mart which will integrate risk information of retail business and SMEs. Other banks are also integrating source systems for higher risk analytics capability.

Architectural integration of risk analytics and marketing analytics in banks is another critical factor in developing a strong analytics capability. We discovered that in many banks this integration limited risk scores.

7. Trends in performance management through analytics

Figure 13 Frequency of branch evaluation and number of management reports



Source: Asian Banker Research

Banks focus on developing real time delivery of intelligence to business users for timely applications but only 30% of banks in the region have this capability.

Daily and monthly dashboards and reports are industry standards in performance management and monitoring metric. Leading banks produce more than 80% of automated monthly reports for its business users. Best practice in one bank saw the production of over 800 reports per month tracking a wide spectrum of metrics. Only 50% of banks in the region do daily branch performance evaluation.

Banks are increasingly automating performance measurement and analysis. One bank in India for example has developed regular reports that have been automated end-to-end and are published through automated mailers for timely action.

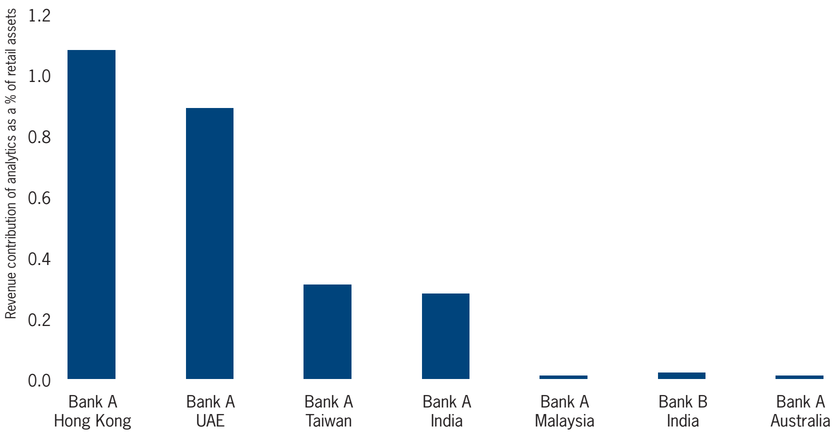
Best practices in performance were also seen in an Australian Bank that launched an operations metrics for reporting and review meeting frameworks in 2010 with the goal of providing operations executives with a single source of business performance summary that includes financials, customers, people, process and operational risk across 23 countries. The information will provide visibility to business segment leads on the health of operations and customer service levels based on a common set of performance metrics that can be drilled down to the division and segment levels in each country.

Banks are discovering new uses of analytics insights into operations such as managing HR churn and customer complaints management. The need is now to seamlessly integrate multiple analytics such as risk, marketing and performance within the organisation for more holistic insights.

8. Generating revenue growth from analytics

While impact of analytics is often not directly visible in income statements, its implicit contribution in the form of additional sales is accounted for by banks. Our research shows that analytics is still not very well developed and its contribution is limited to less than 1% of total bank's revenue in many banks in developing countries.

Figure 14 Revenue contribution of analytics as a percentage of retail assets



Source: Asian Banker Research

9. Human resources and staff attrition

Eighty percent of banks in the region regard staff attrition as one of the critical challenges in data analytics. At least one out of two banks has shown staff attrition of more than 20% and more than 10% attrition in data management staff.

Banks in mature market such as Singapore find it difficult to acquire new talent as well. For this reason some of the banks such as OCBC have set up offshore analytics centres for generic research. This has led not only to easy access to skilled staff but also reduced cost by almost 60%. However the banks need to maintain adequate data security when it is passed to an offshore hub. Selected banks are also looking at regionalisation of analytic capabilities at a centralised centre.

For greater effectiveness of staff in analytics, best banks are also engaging in active staff training, workforce manning tools and strong front end communications framework and rules.

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STRATEGIC BUSINESS INTELLIGENCE FOR THE FINANCIAL SERVICES COMMUNITY

About Us

The Asian Banker is a leading provider of strategic intelligence on the financial services industry, established since 1996. We are in the business of helping decision makers develop creative solutions around research and intelligence to achieve tangible business goals. We help organisations understand the markets they serve through B2B surveys, field research, data and forward-looking research and intelligence, benchmark their operations and competitiveness against industry best practices and create communities for the industry to respond to global trends in the most creative ways possible.

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