



Data Is The New Oil

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“Data is the new oil. We need to find it, extract it, refine it, distribute it and [effectively utilize] it.”

~David Buckingham, Prominent Data Marketer

The Situation

“Data is the new oil.” This has been said and heard in various venues over the past few years. But what does it mean?

It means that data is the product with which banks and other institutions will be able to fuel their business for the foreseeable future. This includes both structured data (transactional, organized data that is easily interpreted by computers and systems, such as loan application information, or customer account profile information) and unstructured (i.e. big) data (random, real-life data, such as information gained from social media, photographs, video, etc.).

As information on customers is harvested, analyzed, and used in decision making, those institutions that can utilize this information in the most effective way will win the digital war. Overused examples or not, Netflix and Amazon are the paragons for how information regarding customer preferences – both from the perspective of an outstanding interface/interaction experience (think Digital), combined with relevant content (think Data) - can catapult an organization into the market leader category. The digital engine that has driven their success is fueled by relevant, rich and timely data.

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However, the vast majority of institutions, particularly financial organizations such as banks, have yet to determine the following:

- How to use data as an asset – how to monetize it and use it for competitive advantage. (By monetize, we are referring to how an institution uses data to make better decisions and feed customer analytics that drive measurable revenue gains. We are not referring to selling customer data.)
- How to effectively execute on data management activities: centralizing, managing, effectively analyzing and reporting on their data at an enterprise level.
- How to cost effectively secure and store their data – thereby getting an acceptable return on their investment.

Yet, we know that data – rightly understood and rightly used - has **the power to transform** how an organization does business.

In addition, the concept of “Open Banking” is headed to the U.S. Open Banking, simply defined, gives customers the power to allow access to their financial data to third-party application providers and other institutions. The benefit to the customer is that these providers will be able to write applications utilizing that data, thus giving customers access to a broader array of services, helping them make the most of their money.

While the full impact of Open Banking is yet to be known, what appears certain is that banks and other financial organizations will be required to provide open access to consumer data. Open APIs ensure more seamless data flows between banks and financial technology companies and can open up greater insights and efficiencies for customers -- small-business owners, in particular.

For example, when small business owners are able to connect their accounting platform to their bank of choice, they’re able to manage their reconciliation activities far more easily, because they don’t have to do manual imports, encouraging them to keep their books up-to-date. Real-time connectivity to trusted data makes it easier for accountants to continuously certify data and ensure high-integrity accounting. All that data has the potential to be available for banks and lenders, giving them an unprecedented view of a small businesses’ finances. This facilitates a better lending decision, making sure the small business is getting the right product or credit at the right time.

While banks perceive this as a threat, it could be viewed as an opportunity, as the ability to obtain an entire picture of a customer’s financial picture provides opportunities to make offerings that are more relevant than ever to a customer.

From a sample “Use Case” perspective, managing data at a truly enterprise level means the ability to:

- Provide real-time analytics in order to provide relevant, personalized offerings to customers as opposed to mass advertising

- Measure the effectiveness of sales training (Besides being good business practice, it's especially crucial in today's environment (i.e. legal and regulatory))
- Measure product performance through a new lens to gauge profitability and make better decisions
- Better understand customer complaints and recurring themes that may indicate a blind-spot
- Have access to information that helps a bank understand how it is viewed both in society and by its customers. This affects reputation, which impacts revenue and profitability.

Managing data at a truly enterprise level also has the following Customer Benefits, as they can experience:

- More personalized solutions. For example, a bank notices a small business owner is spending a lot of money doing ACH wires to a foreign country. The bank could offer a fixed monthly fee for a foreign exchange account that allows them to transfer funds. This builds loyalty.
- Quicker response and resolution time for issues. This is accomplished by being able to get to the root of issues more quickly, resulting in faster problem resolution.



The Complication

For an institution looking to take advantage of the power of data, the **outward-facing perspective** shows that the amount of data being tracked in the world is increasing 10-fold year over year. This increase – which is largely unstructured data – requires large amounts of computing power and AI capabilities in order to make sense of the information. Considering that banks and financial institutions typically struggle with effectively managing their structured (i.e. customer and transactional) data due to both infrastructure and people challenges, adding vast quantities of unstructured data **significantly exponentiates** the issue.

On the other hand, the **inward-facing perspective** illustrates the following challenges, particularly for U.S. banks:

- **Data Multiplication and Replication:** Application environments are extremely complex; for example, with many institutions, there are normally multiple versions of the same data in their applications (noting that banking is more complex than any other industry in terms of having customer data in multiple applications).
- **Data Governance:** In general, the idea and practice around data governance is a fairly recent phenomenon and not well understood – it is still in the early stages.

- **Data Architectural Strategy:** Knowledge around how to approach these complex issues and problems (e.g. an understanding of what, when, and how to deploy) is still lacking.
- **Size and Capacity to Scale:** The amount of “look to book” transactions in the digital space – meaning the number of query transactions versus transactions that execute a change to data – is expected to climb to 100 -1 to or more in the future. In order to track and effectively utilize that type of unstructured data, an organization would need significantly more storage, computational and analytical capabilities.
- **Specialized Resource Availability:** High quality, experienced data scientists that can help an institution analyze and utilize their data effectively are not a commodity. A typical financial institution will not possess or cannot afford the right kind of resource in this space, nor does it make sense to do so given the specialized nature of both the skills and the work.



The Recommendation

In order for banks and other U.S. institutions to effectively manage both structured and unstructured data for competitive advantage, banks and other financial institutions need to address data governance and management, infrastructure, tools and processes, and resources.

Data Governance and Management: Solid Data Governance and Management would ensure that an institution:

- Knows how data is defined, how it flows through the organization, and where, when and how it's used
- Has a clearly defined data architecture that provides the blueprint for the “single source of truth”
- Operates a solid data platform that ensures standardization of data, including how data is sourced, stored, and collected

Infrastructure: Ideally, a bank would have access to a single platform solution that could perform all necessary functions in relation to data, both structured and unstructured – including collection, storage, secure transmission/ monitoring, analysis, interpretation and reporting. This solution would also provide oversight of the service to ensure efficiency and effectiveness.

Tools and Processes: A bank would have industry-standard analytical tools that could effectively analyze both structured and unstructured data.

Resources: This would include strong, experienced Data Scientists and other like resources.

Benefits

Frankly, addressing these factors in-house is challenging at best, but the bank or financial institution can't avoid at least one of them – Data Governance and Management.

For the other areas – Infrastructure, Tools and Processes, and Resources – if an institution can find the right solutions and partners to augment or support those areas, the benefits could be as follows:

- **No Assembly Required** – With external infrastructure support from the right partner, organizations can still use their proprietary and/or vendor specific solutions they have in-house. No need to change those out, unless they want to investigate other offerings.
- **Do What You Do Best** – External infrastructure support from the right partner could eliminate the need for the organization to perform all of the functions necessary for full lifecycle data management – from sourcing through analytics and reporting. This allows the organization to focus on what it does best - serve its customers and make decisions about what is in the organization's best interests.
- **Balance the Scale** – With the right partner, external infrastructure support would provide access to world class infrastructure and resources that can scale to any level – providing peace of mind that the service being provided is dependable, able to grow with the business, and is providing the highest quality – the perfect balance.
- **No Need to Ramp** – With the right partner, a financial institution will have access to expert, knowledgeable staff to help organizations in both their analytics (e.g. Data Scientists) as well as in executing their responsibilities with regard to data management and clean-up.
- **Future-Proofing** – With the right partner, a financial institution will be well on the way to being ready for Open Banking, as noted earlier. Open Banking will result in financial institution data being opened up to the market, specifically technology partners and other financial institutions.





In Closing

Determining how to address the issue of transactional and unstructured (i.e. big) data is a critical one facing the financial industry today. The challenges of Data Multiplication and Replication, Data Governance, Data Architectural Strategy, Size and Capacity to Scale, and Specialized Resource Availability are common for all organizations, particularly banks and financial institutions.

While an organization can't be certain of the future, it can take steps to ensure it stays ahead of the competition. Other industries not as traditional as banking, such as retail and entertainment, have seen the effects of the Digital Age and the power of data transform their industries – think Amazon versus Sears, or Netflix versus Blockbuster. The trends move slower in the financial industry, but they are coming. Determining the right solution with the right partners can stave this off and allow a bank or financial institution to not just survive – but thrive.

End of Core 20/20: Data Is The New Oil

**AARON SCHLENZ, Managing Director, Core 20/20 LLC**

Aaron is a creative and dynamic financial services executive who has made a career of delivering groundbreaking and transformational efforts in support of business strategy across a wide spectrum of domains, including application, governance and operations. Complimenting his expertise as a highly effective cross-functional collaborator bridging operations, business and technology, Aaron possesses a natural ability to identify customer needs and partner for results, tackle ambiguous, complex problems, and develop workable solutions. Utilizing his skills in program and project management, execution strategy, and transformation, Aaron managed the successful Zions Core Banking Transformation program, with responsibility for planning, delivery and governance. In addition to Zions, Aaron has financial-services transformational experience with Fannie Mae and Freddie Mac. Aaron took his skill set and leadership experience and partnered with John Kershner to create Core 20/20 LLC. Aaron received his MBA from Mount Saint Mary's University in Maryland, and his B.S. in Accounting from Illinois State University.

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John is an executive leader with proven experience developing and executing strategies that deliver bottom line results utilizing creative abilities, knowledge and skills gained as a management advisor and coach. Key areas of interest include strategic technology management, business process improvement, change management, and organizational design and development. John successfully led three large core banking transformations and many other core and non-core technology improvement and replacement initiatives. Most recently, John organized and led the program for the first U.S. implementation of the TCS BaNCs global core banking platform at Zions Bancorporation. In 2018, John partnered with Aaron Schlenz to create Core 20/20 LLC. John received his MBA from The University of Texas at Austin, and his BBA in Finance from the University of Houston.

About Core 20/20

Core 20/20 provides management advisory and implementation services for U.S. regional banks looking to transform legacy technology and operations to keep pace with competitive demands. Our goal is to help you navigate the road to digital success with cost effective support for your complex technology and operational initiatives.

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