

#ACCELERATE22

Pedal to the Floor

Top 3 Strategies for Accelerating Digital
Transformation in Financial Services

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teradata.

Introduction

Almost every day, headlines attest to the seismic shifts that fintech brings to the financial services industry, driven by a dramatic expansion of internet access and smart phone usage, combined with lower-cost computing and data storage. According to a report by World Bank Group*, as financial products, payments, and business models—and even the concept of money itself—evolve, so too are market players and the structure of the markets in which they compete.

So, when it comes to digital transformation of financial services, it really is a case of ‘pedal to the floor’, as companies attempt to accelerate their efforts to not only compete, but succeed in a new world order. At Teradata’s recent *Accelerate: the data analytics forum*, we explored how data is at the heart of these critical issues, and how leveraging the power of data analytics is vital to every financial services company’s future success.

Three key strategies were explored in detail at our forum, and in this subsequent ebook—customer experience (CX), sustainability, and artificial intelligence (AI). You will also find unique insights into what lies ahead for fintech and data analytics in financial services, where the sector should be focusing, and the role of data analytics in this fast-evolving industry.

We hope you find the ebook useful and informative.

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(*Source: World Bank Group report *Fintech and the Future of Finance*)

The Financial Services Industry – Key Future Strategies

The effect of digital technology on the financial services industry is unprecedented. Many allude to this being the Fourth Industrial Revolution, but the advent of digital is arguably greater than previous industrial revolutions. In fact, it's so consequential that we may not be able to appreciate the full impact for another 50 years.

From a venture capital point of view, the big areas of potential growth and development are focused on strategies around customer experience (CX), sustainability, and artificial intelligence (AI).

Digital transformation and 'retailization' are undoubtedly impacting the industry, and data has a key role to play in key areas including:

- **Transparency**—customers now insist on complete transparency for their own transactions and how “their data” is being used by financial institutions
- **Analytics**—financial services companies need to leverage data analytics to improve product development, target marketing and sales efforts, drive operational efficiencies, and enable better risk and fraud management
- **Privacy**—financial services organizations are trustworthy custodians of data and need to ensure privacy is managed efficiently at all levels

“When it comes to innovation, data analytics can provide a meaningful source for creating potentially ‘monetizable’ service offerings.”

Eileen Burbidge

The more financial services organizations understand, harness and use data, the more insights they can gain, and the more they will recognize what's really important for customers. Today, a great customer experience is mandatory—and the value of data should go way beyond just transactions to meet customers' needs.



Eileen Burbidge is a Partner at Passion Capital, the pre-eminent early-stage technology venture fund based in London, and is also the UK Treasury's Special Envoy for Fintech.

Key Takeaways

- The impact of digital is revolutionary
- Strategies should focus on CX, sustainability and AI
- Financial services institutions need to leverage data analytics

Strategy 1 – Enhancing Customer Experience (CX)

In a post-pandemic world, with economic disruption and geopolitical instability dominating the headlines, we seem to be living in a perpetual state of disruption. The financial services sector undergoes seismic structural shifts as it seeks to meet these challenges and adapt to a digital future.

At the heart of this future is customer experience (CX). Customers no longer go online, they live online. Indeed, as customers we spend around one-third of our waking hours staring at our phone screens to the point where they almost become an extension of ourselves.

“Even when they don’t yet know it, customers want something better, and your desire to delight customers will drive you to invent on their behalf.”

Jeff Bezos, Amazon

Of course, in the financial services industry, this ubiquitous connectivity has enabled, for example, the switch from online banking to mobile apps. Customers want to bank on their terms, not on the terms dictated by financial services providers.

To achieve digital transformation, financial services companies need to look beyond their own industry—for example, at online retail. There, the tolerance for vanilla experiences is fairly low, which is why customer experience has become the new currency. Amazon, for example, has been a phenomenal catalyst for change—the company is often accused of killing retail, but actually it is killing mediocre retail, and has been a catalyst for real change from a CX perspective.

One reason for its success is that it is always looking at ways to enhance CX. It starts with the customer and then works backwards, so the company’s success is not only customer-led, but also data driven.

Now that a new bridge is opening up to the metaverse, we’re already seeing in retail innovations such as augmented reality and virtual shopping consultations. But what is happening in retail is also going to rapidly change how financial institutions do business. Data analytics is playing a critical role in helping to achieve that transformation.



Natalie Berg is a Retail Analyst and Founder of NBK Retail, a consultancy specializing in retail strategy and future trends.

Key Takeaways

- Customers want to bank on their terms, not the provider’s
- Success is not only customer-led, but also data driven
- Data analytics play a critical role in achieving digital transformation

Watch Natalie’s session at Accelerate
for more insights

Strategy 2 – The Drive to Sustainability

We are entering a new phase of ‘green finance’. Achieving net-zero is one of the single most important issues of our time, and there is little doubt that data will be at the center of driving and maintaining sustainability in financial services. But what is needed to get to net-zero quickly?

Financial services companies need sound data to make better informed decisions and make complex decisions about sustainability with the right information. The transition to a low carbon economy is estimated to cost in the region of GBP3-4 trillion over the next 15 years. We simply cannot get there without innovation. It is important to invest in climate tech and new technologies to find solutions to the problems we are facing.

The good news is there is a lot more data out there that financial services companies can leverage in order to help meet sustainability objectives. An increasing number are starting to come out with their net-zero plans, and data will be pivotal to reducing their carbon footprint.

In the future, we are going to see how data analytics will enable clarity about how to reduce their energy use and dependency over the next decade or so.

The question is: how are financial services companies expected to navigate a complex sustainability agenda? Part of their armory is having really great data and standards to support a transition, and a fair energy policy as part of a roadmap towards achieving net-zero.

“With better data we can hopefully make smarter decisions about sustainability on the journey to net-zero.”

Huw van Steenis



Huw van Steenis is co-Chair of the World Economic Forum’s Global Future Council on Finance.

Key Takeaways

- Data will be at the centre of driving and maintaining sustainability
- Investment in new technology is an absolute imperative
- Great data is needed as part of a roadmap towards net-zero

Strategy 3 – Maximize the use of AI

Financial services is traditionally cutting-edge for using tech, but it has not fully leveraged artificial intelligence (AI)—at least not so far. So, what do financial services companies need to do to adopt and scale AI to shape the future of the industry? To deliver personalized service and reduce costs, banks need to operationalize automation from end-to-end, removing human interaction from the vast majority of tasks.

Use Case – how an AI-led bank can drive innovation

Digital transformation in banking is all about speed and an accelerated time to market, but speed alone is not enough. A bank needs to not only have trust in its data, but also derive maximum value from data in an agile and efficient way. So what are the key obstacles preventing banks from implementing AI? One bank that faced these challenges was ABANCA, a flagship retail and commercial banking group in Spain, operating in nine countries with around 700 branches and 2.5 million customers. Its data strategy involved:

- A centralized data architecture, with a unified corporate data warehouse on the Teradata Vantage platform
- A technology platform to automate the deployment of the models and embed knowledge into its processes

- A data governance framework for data and metrics definitions, data quality assurance, and assignment of roles and responsibilities

During early stages of implementing AI, ABANCA faced obstacles to adapt traditional software development to AI development and needed to adopt an agile mindset to promote rapid experimentation. Community, Data Literacy and Agility were capabilities that ABANCA started to build to overcome these challenges.

In 2018, the bank set out on its ModelOps journey. It started with a simple project—the intelligent extraction of information from documents in the mortgage application process. The bank is now extending this model to new documents and processes, such as student loans. In the journey towards building these capabilities, ABANCA has developed many AI and ML models in different projects that run autonomously—for example, models continually monitor the bank’s technology platform to anticipate problems and reduce incident response times from hours to minutes.

As Jorge García Romarís, Director of Data, Analytics and RegTech at ABANCA, said at Accelerate, AI is enabling the bank to achieve its goal, which is to “create a single version of data truth.”



Jorge García Romarís is Director of Data, Analytics and RegTech at ABANCA.

“Digital transformation is all about speed and an accelerated time to market, but speed is not enough, we need trust in our data. We need to have data integrity.”

Watch the video for more insights

Financial Services – the Pivotal Role of Data

The challenge to today's financial services companies is to meet the increasing demands of customers and ever-evolving regulations. Add in regulation and compliance mandates, trends towards open and collaborative banking, and ever-growing security concerns, and a new approach to data and analytics becomes not just a nice-to-have, but essential. Banks of the future will come to rely on a data orchestration approach to data analytics in order to continually transform and capture, engage, and retain customers. The reuse of data as part of a powerful analytics ecosystem can orchestrate every action and initiative to drive growth and value.

This approach can help solve the financial industry's biggest pain points, as shown below.

Data and analytic orchestration can span many systems, functions, and data types—this requires a platform that delivers multidimensional scalability and the ability to run analytics at a granular customer, service, and monetary level. Processes such as data preparation, making decisions based on data, and acting on those decisions will be handled with end-to-end automation. In essence, banks will become 100 percent data driven.

At Teradata, we are dedicated helping businesses in the financial services sector to use data analytics to tackle the problems they continue to face every day, enabling them to:

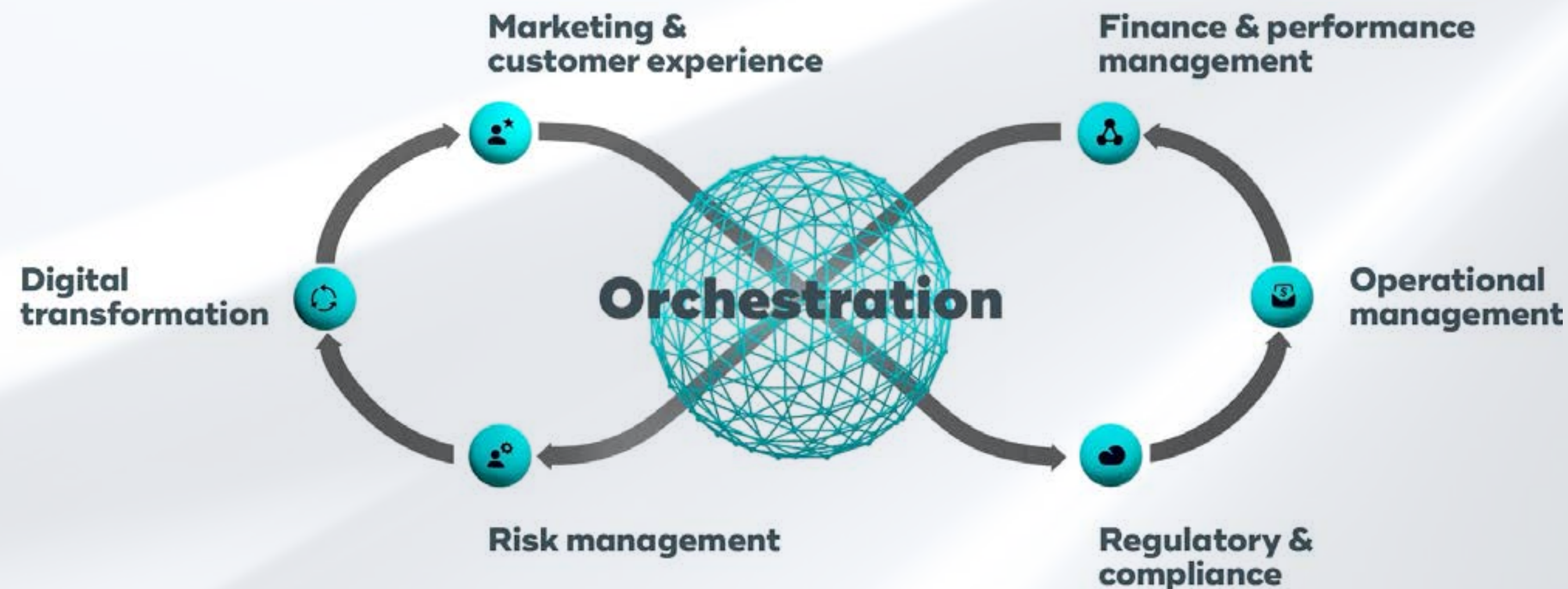
Reimagine customer experiences, using data-led listening and hyper-personalization to effortlessly create intelligent conversations and unique financial experiences

Achieve automation through digitization, increasing agility and innovation at scale and driving data monetization through open banking and accessible APIs

Enhance risk management, by fully automating decision processes and integrating risk decisions with balance sheet optimization

Streamline regulatory compliance, creating an enterprise-wide integrated platform and enabling near real-time 'pull' frameworks with regulators

Find out more about the pivotal role data plays in Financial Services



Customer Stories

At Teradata, we transform how businesses work and people live through the power of data. But don't just take our word for it. Read what our customers in financial services say about the solutions that we provide to them to help them meet their challenges.



Royal Bank of Canada

Leveraging Data Analytics to Create Exceptional Experiences for Over 17m Customers



Standard Chartered Bank

Creating a Golden Source of Financial Data to Continue Being 'Here for Good'



Mitsui Sumitomo Insurance Co., Ltd.

Supporting the Development of a Dynamic Society and a Healthy Future for our Earth

About Teradata

Teradata is the cloud data analytics platform company, built for a hybrid multi-cloud reality, solving the world's most complex data challenges at scale. We help businesses unlock value by turning data into their greatest asset.

See how at [Teradata.com](https://www.teradata.com).

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