

Data-driven mastery in commercial banking

Tuning into the right data signals to drive growth and innovation

accenture



Unlocking the value trapped in commercial banking data assets

Many commercial banks are allowing their most valuable data assets to lie fallow. The rich market valuations of data-driven fintechs and e-commerce companies point to the value commercial banks could cultivate if they were to unlock the true potential of the internal and external data at their disposal. Now is the time to achieve data-driven mastery at scale.

Commercial banks around the world are operating in a challenging landscape, facing compressed margins, high costs to serve and disruptive competition in key segments such as small and medium businesses (SMBs). Many of them are responding to these challenges by ramping up their investments in data, advanced analytics and artificial intelligence (AI).

Yet most have encountered roadblocks on their journey towards data-driven reinvention. While many have developed pockets of data and analytics excellence, they are struggling to scale up deployments, embed data-driven decision-making into day-to-day operations, and use data to drive truly transformative change across the business. Much of the rich, real-time transactional data to which they have access lies fallow.

Revenue left on the table

Commercial banks are overlooking significant opportunities to grow revenues, reduce costs and prevent customer attrition. Perhaps even more importantly, they may be leaving white spaces in their commercial business for fintechs, e-commerce companies, payments platforms and other emerging competitors in adjacent markets to occupy.

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80-85%

of financial services companies remain stuck in the 'proof-of-concept factory' phase of data maturity.¹



61%

average return on investment is being achieved by banks that have progressed further in terms of data maturity.²

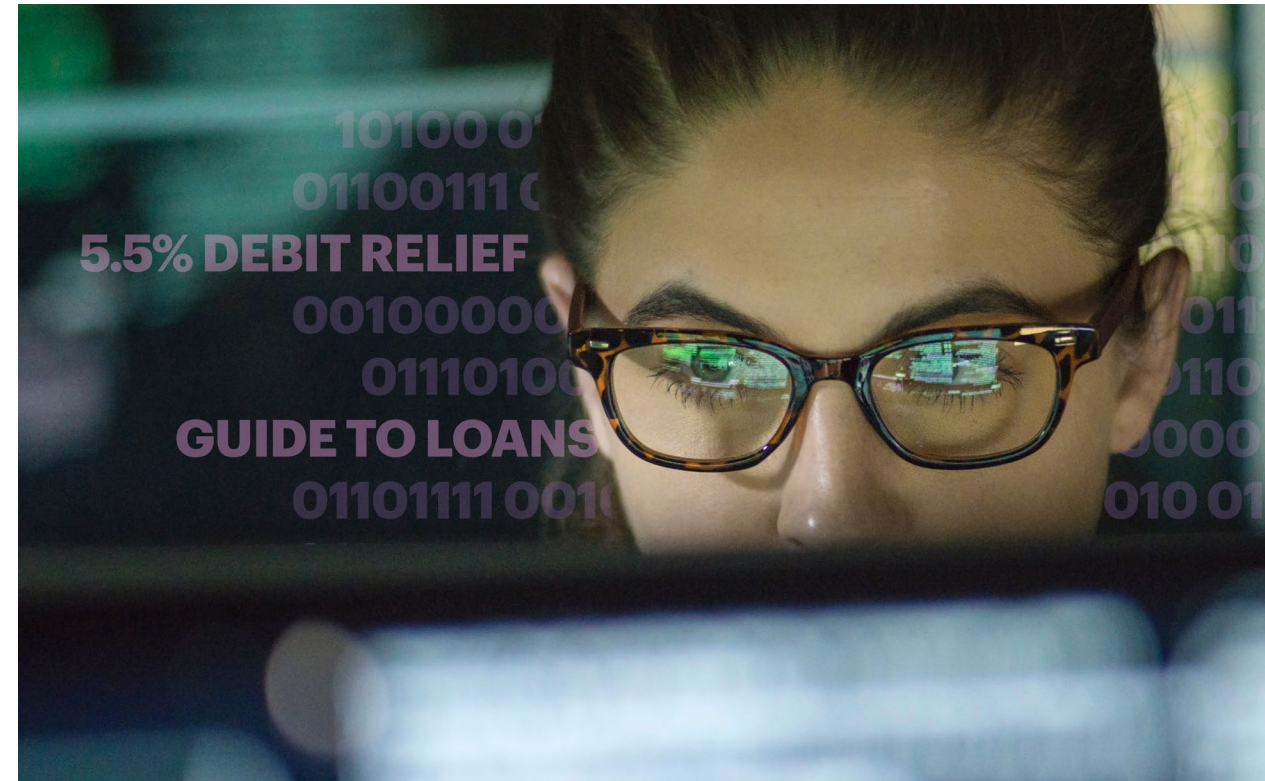
This is reflected in the gap between the market valuations even digitally mature banks attract relative to those of data-driven businesses such as e-commerce platforms and cloud software providers. Consider the examples of Shopify and Square, with price/book ratios of around 17 and 40 respectively, compared to averages of between 1 and 2 for most larger banks in the US.

These data-driven companies are becoming formidable competitors to banks in the commercial market. According to research from the consultancy 11:FS, Shopify is now the 10th largest platform providing financial services for SMBs in the US. Not only are companies like Shopify fierce competitors in payments; they are also targeting new parts of the banking value chain.

Stripe Capital, for instance, has created an end-to-end lending application programming interface (API) for platforms to offer financing options to SMB customers. Shopify, which is used by 30 percent of all US e-commerce websites, has announced its plans to embed the Stripe Capital API, launching embedded lending products to its 800,000 merchant customers during 2021.³

The time for proofs of concept is over—tomorrow's winners are looking for exponential returns

Unlocking the value of data and putting insights into the right hands throughout the business will enable commercial banks to compete more effectively with this sort of new-age rival. Tomorrow's leaders know that the time for experimentation, proofs of concept and siloed deployments is over. They are looking at how they can move from incremental change to exponential improvement.



Obstacles to data-driven reinvention

Commercial banks have a wealth of data that they could be using to fuel better decision-making, empower relationship managers, automate processes and add value for their customers. In addition to a wealth of first-party and third-party data, they can also tap into 'new data'—the digital dust that consumers and businesses create and that niche data technologies collect.

Given their vast data resources, commercial banks should have access to insights that enable them to respond with agility to a dynamic landscape, and even to anticipate and drive change. Yet, despite the significant investments many commercial banking institutions have made in using data and AI to improve sales, productivity and performance, most are realizing only incremental returns.



Many are finding themselves trapped in a loop of frustrating proofs of concept and are unable to grow data and analytics efforts beyond a few small centers of excellence. Rather than using data to drive innovation and create new business models, they are reaping modest returns on investment from small revenue or cost-reduction wins.

We believe that there are four major obstacles in the way of commercial banks tapping the full value of their data:

- 01 Organizational silos**
- 02 A focus on incremental improvement**
- 03 Digital transformation fatigue**
- 04 A lack of business ownership**

01

Organizational silos

In many commercial banks, data and technology assets remain confined within product and departmental silos. Although people from different functional domains cooperate, they do not collaborate seamlessly due to the lack of processes, systems and organizational culture to support easy sharing of data. Budgets, intellectual property and priorities are constrained by organizational lines.



50%

of banks rank accessing data from multiple disparate data sources as one of their top three challenges in implementing their AI strategy.⁴



02

A focus on incremental improvement

After years of small-scale pilots and projects, many commercial banks are focusing their data-driven transformation efforts on making incremental improvements to existing business models and processes. The focus tends to remain on easing immediate pain points rather than on breakout innovations that could drive exponential returns.



78%

of banks broadly use data but only **7 percent** have scaled analytics and just **5 percent** have scaled AI to extract the full value of data across the customer experience.⁵

03

Digital transformation fatigue

After years of investment in building a digital foundation, banks and their people have become fatigued by technology change. Building a digital foundation and digging the bank out of technical debt was an all-consuming effort, and the prospect of embracing yet another complex IT program is daunting.



33%

of banks report that they are suffering from digital transformation fatigue.⁶



04

A lack of business ownership

Some commercial banks are rolling out their data-driven reinvention programs under the guidance of their technology organization or digital transformation teams with little direction from the C-suite. Data is not high enough on the C-suite's agenda. They have not articulated a vision for how they can unlock enterprise value by exploiting their data reserves more effectively.



Only 10%

of all board directors at the world's largest banks, as well as **10 percent** of the CEOs on the boards, have professional technology experience.⁷

Case study

Asian bank drives 46 percent uplift in loan applications through machine learning and external data

A commercial bank in Asia wanted to expand its lending business within the SMB segment, aiming to increase cross-sales as part of a three-year growth strategy. The bank developed machine learning models to capture signals such as search criteria and business performance indicators from internal and external data sources.

The institution set up an applied intelligence platform that integrates multiple tools and functions to process and analyze more than two terabytes of external data at scale. It developed a behavioral segmentation model and contracted with multiple vendors to access relevant, high-quality data.

The platform generated more than 4 million leads among new and existing clients across five campaigns. Since implementing the solution, the bank has grown loan applications by 46 percent.



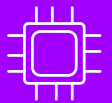
Breaking down the barriers

Breaking through these obstacles begins with the insight that data-driven reinvention is not a departmental or technology project—it is an enterprise-wide effort that takes leadership from the top. As successful data-driven businesses from Shopify and Stripe to Alphabet and Amazon show, excellence in data demands an approach that prioritizes business value.

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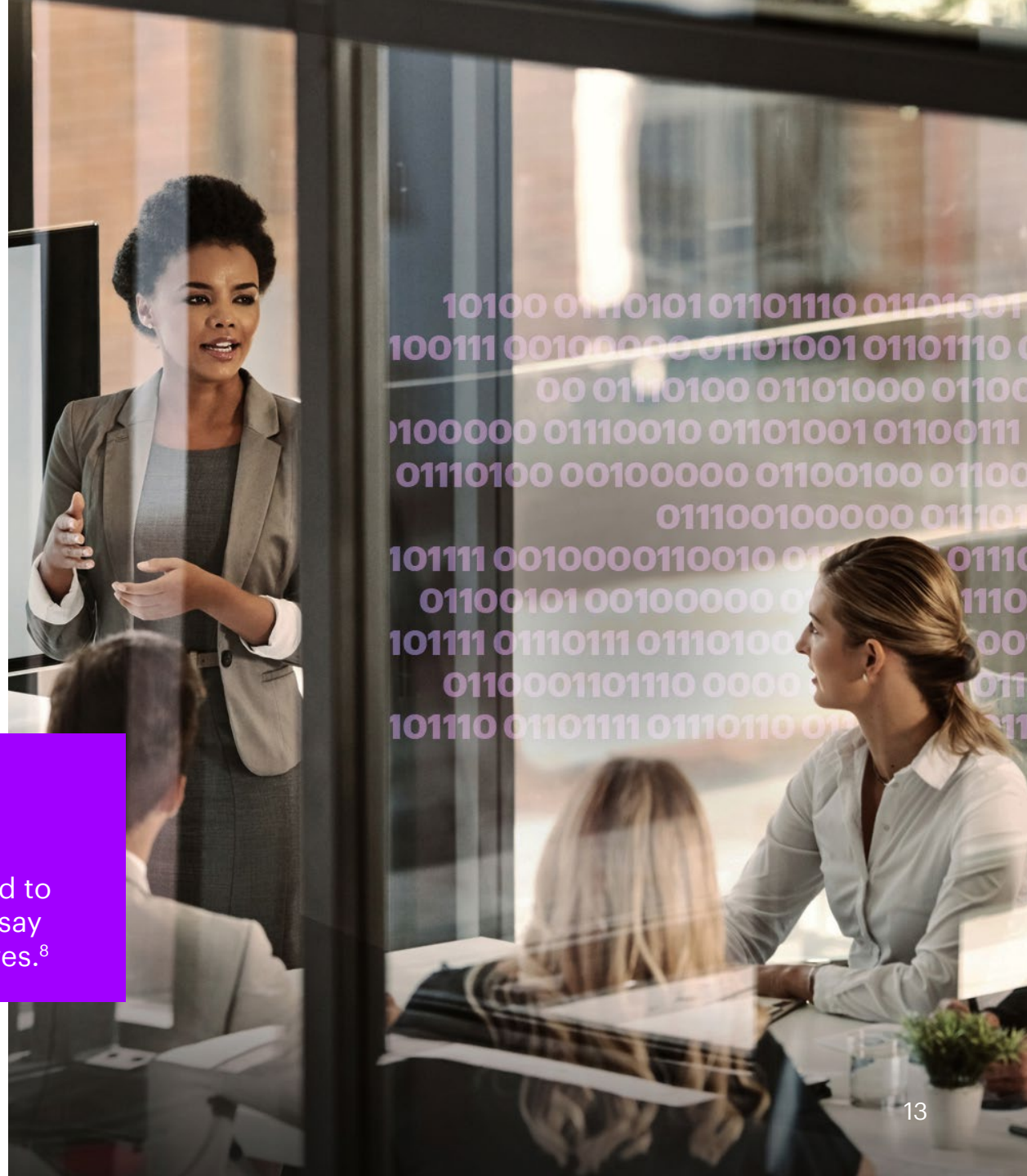
A common strand in data-driven leaders across different sectors is the prioritization of data on the C-suite agenda, with leaders encouraging the sharing of knowledge, data-driven decision-making and the taking of appropriate risks.

Many are finding themselves trapped in a loop of frustrating proofs of concept and are unable to grow data and analytics efforts beyond a few small centers of excellence. Rather than using data to drive innovation and create new business models, they are reaping modest returns on investment from small revenue or cost-reduction wins. Furthermore, these data leaders see their data capabilities not just as a competitive differentiator, but as a means of driving tenfold returns on investment.



81%

of senior business leaders agree that data skills are required to become a senior leader in their companies, but two-thirds say they are not comfortable accessing or using data themselves.⁸



Here are some of the ways that data-driven leaders set themselves apart:



Governance from the top

Senior leadership takes ownership of data-driven transformation and pursues it as a business program with support from a data or digital transformation office.



Setting a vision

Business leaders articulate their digital and data strategy to shareholders and the market. They set internal goals for 18 – 24 months to map out the transformation journey.



Leading with business value

New AI and data platforms and projects are deployed to create business value—the technology isn't built first in the hope that adoption will follow.



Partnering strategically

Companies carefully choose where to insource and where to partner. They narrow down from the typical 15 – 30 partners to a handful of platform, software-as-a-service and data / AI / digital partners.



Re-defining ways of working

Teams don't operate in functional silos, but work in cross-functional units to drive collaboration between different functions and departments.



Showing adaptability

While they define a target state, data-driven leaders are able to adjust their course when market conditions or technology change requires it. A bottom-up, agile approach enables them to fail fast and learn quickly.



Continuous measurement

From the outset, a data-driven leader defines a metrics framework to assess both quick wins and medium-term goals.

New data

Boosting the growth of the data-driven commercial bank

New data presents a tremendous opportunity to unearth hidden signals and drive growth in commercial banking.

The challenge? In a complex, fast-changing digital and data ecosystem, it can be difficult to get data insights into the right people's hands when they need them. How do commercial banks go about creating a true 360-degree view of the customer by augmenting bank data with new data (firmographics, web crawling data, wallet share insights, customer satisfaction, and more)?

Commercial banks are looking for a solution that streamlines and accelerates the process of getting insights into the relationship manager's hands. They don't want to buy more data or add yet more complexity to their environments—they simply want to be able to equip the right people with the right insights in the right context at the right time to drive better business outcomes.

Integrating rich insights into a relationship manager's day-to-day ways of working will enhance effectiveness and productivity and deepen relationships. Banks need multi-level segmentation, customer lifetime value, and behavioral insights to retain and grow their existing portfolio, as well as manage risk. A solution that stitches together first-party and third-party data to drive proactive engagement is an essential capability.

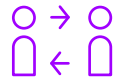
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Cases for the data-driven commercial bank

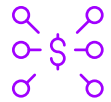
Commercial banks can use data-driven insights to empower relationship managers and others in the business to make better decisions, pushing a range of revenue, retention and cost-reduction levers.

Here are some of the ways commercial banks can use data-driven insights to empower relationship managers:



Lead generation/prospecting

Use AI-powered data-driven capability to identify high-priority leads and pursue new customer acquisition in selected markets based on value potential.



Price optimization

Identify price sensitivity and calculate the optimal pricing for a customer.



Credit and risk decisioning

Use non-traditional sources of data to assess risk in commercial banking portfolios in real time through early-warning signals for at-risk customers and early identification of non-performing loans.



Retention

Develop a deeper understanding of customers' context, as well as their immediate and emerging needs, to improve engagement and satisfaction.

As the bank moves further up the data maturity curve, it can use analytics to solve ever more complex problems as well as deploy AI to drive higher levels of automation.

For instance, a bank may start out by using machine learning to inform credit decisions around short-term products where the risks of loss are low. It can then expand these capabilities to additional risk products such as overdrafts, corporate credit cards and merchant cards. As it grows its data capabilities and confidence, it can expand autonomous capabilities to trade products and core lending products such as foreign exchange and derivative products, traditional cash flow loans, and asset-based lending.

Case study

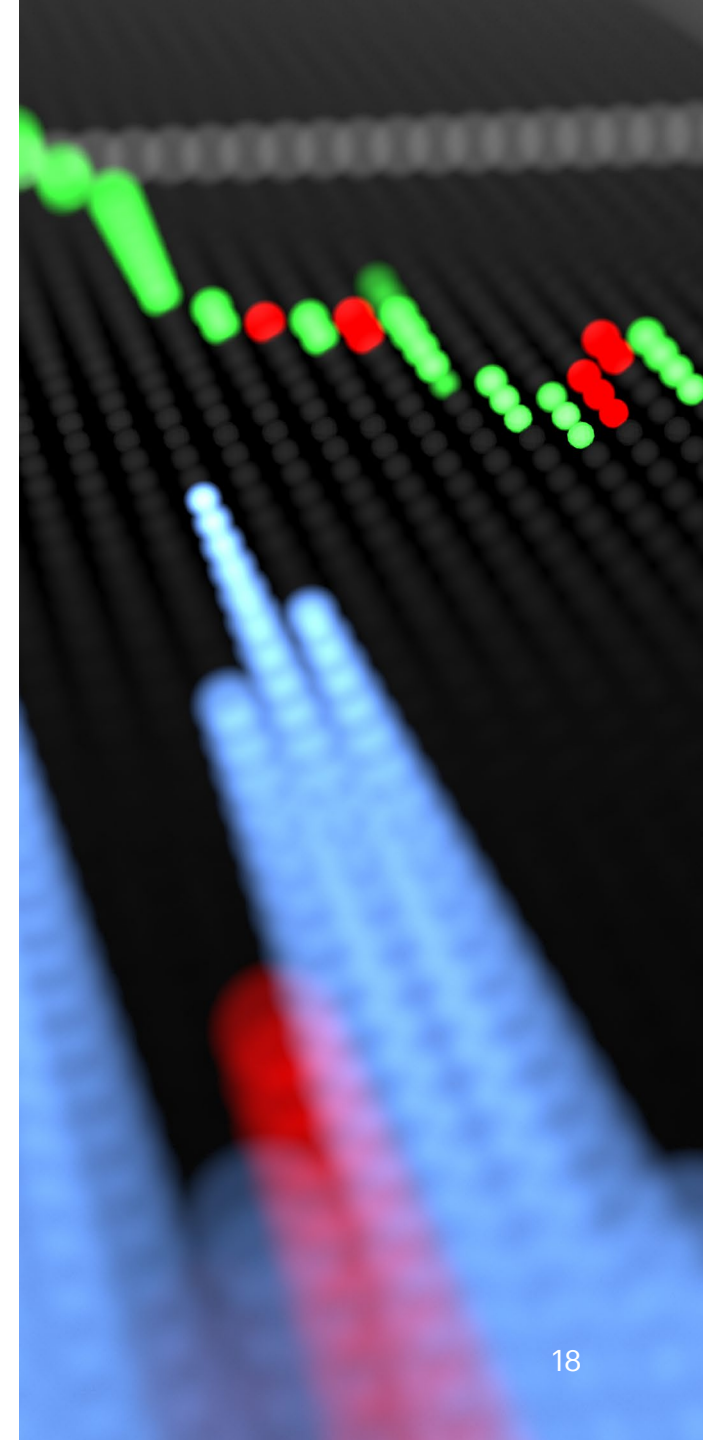
Proof of concept uncovers \$30 million revenue opportunity

Accenture completed a customer segmentation proof of concept with a regional bank in the US to uncover opportunities for the institution to drive revenue growth in its commercial banking business. The main goal was to better understand customer segments based on product usage, pain points and satisfaction levels.

The project combined primary firmographic, behavioral and attitudinal research with infused market data from Accenture partner Coalition Greenwich, Accenture market research into the small business segment and rigorous data analytics. This was used to evaluate potential revenue opportunity and revenue at risk across various markets in the US.

Among other outputs, the proof of concept highlighted potential new revenue opportunities in excess of \$30 million within the bank's home state and other states of interest. It also produced key insights into how customers make decisions about their commercial banking providers, based on satisfaction, pain points and propensity to switch.

The data exposed a gap between traditional segmentation by revenue and customers' actual product usage and pain points. This data could be used to allocate relationship managers to the best opportunities, optimizing sales coverage and enhancing prospecting. Such data would also be invaluable in generating and shaping marketing messaging, communications and channels.



Amplifying the results from data-driven strategies

Banks that want to turn data into a real competitive asset are today looking at how they can align their data strategy with their corporate strategy.

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They are not simply asking how they can use data to fuel moderate improvements to their business, but how they can leverage data capabilities to drive higher P/E multiples.

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This industry vision will be led from the top with a roadmap for:



Getting the basics right

Utilizing data and AI to monetize the core business strategy.



Partnering to grow:

Creating partnerships in the ecosystem to provide a broader end-to-end customer experience.



Shaping new business models

Leveraging data as a competitive differentiator that enables entirely new businesses.

As an initial step, banks will assess their platform's ability to support their overall data strategy and accelerate their efforts to catch up on digital, AI and data asset technical debt. But they will also keep their eye on scaling their deployments and nurturing an agile, data-driven culture across the entire business. Those that get it right will set themselves apart in an increasingly contested commercial banking landscape.



How Accenture can help

Accenture has the platforms, partnerships and AI capabilities running today to deliver unique insights at high speed and in a cost-effective manner.

Coupled with the Coalition Greenwich data partnership and our experience deploying these solutions at scale, we are ready to make measurable impacts for commercial banks' relationship managers.

Accenture is working with many clients to transform commercial banking by using data to change the face of relationship management and underwriting. Our solutions and services enable them to achieve business reinvention from a technical, cultural, and adoption standpoint. Get in touch to find out how we can help you leverage internal and external data to drive better business performance.

Coalition Greenwich
A division of CRISIL

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