FINANCIAL SERVICES:

DECISION-MAKING IN TIMES OF UNCERTAINTY

Exasol
The analytics database

CONTENTS

HOW THE PANDEMIC HAS AFFECTED FINANCIAL SERVICES

IN TIMES OF CRISIS, ORGANIZATIONS NEED TO BE ABLE TO MOVE QUICKLY. THE COVID-19 PANDEMIC, FOR EXAMPLE, HAS PUT FINANCIAL SERVICES FIRMS UNDER EXTRAORDINARY PRESSURE. THEY HAVE BEEN FORCED TO SHUT OFFICES AT SHORT NOTICE, LOSING FACE-TO-FACE CONTACT WITH CUSTOMERS.

At the same time, the flow of money into banks has become less certain as their customers' businesses were forced to shut and staff were furloughed. This is not the first – and will not be the last – crisis many organizations face. The challenge today is for financial services institutions to be able to move quickly in times of crisis; but the opportunity for tomorrow is to harness this improved performance during times of business-as-usual.

Making decisions quickly requires rapid access to accurate and relevant data. The financial services sector has always been data intensive, as a result of the many customer interactions it manages. Now, decision-makers are demanding more insights from their data. They will not only need systems capable of delivering that insight quickly, but also clean, complete, and relevant data to work with.

This cuts across all of the organization's activities. Institutions are fighting to retain customers and grow in a harsh market, so the customer relationship, sales, and investment functions will continue to be data hungry. At the same time, new questions arise, such as:

7 How accurate are our numbers, now that sensitivity has increased around our potential losses?

How can we understand the needs that our teams have, as they adapt to new working patterns?

How can we best promote our business when our customers' normal routines have been disrupted?

Amidst this disruption, what are the challenges financial services organizations are facing today?

WE ASKED 136 DECISION-MAKERS IN UK FINANCIAL SERVICES INSTITUTIONS (FROM A GLOBAL SURVEY OF 2501) ABOUT THEIR RESPONSE TO THE PANDEMIC:

88%
agreed they had been under pressure in the last few months to make decisions faster.

72%
told us this is the "new normal".

BARRIERS TO EFFECTIVE DECISION-MAKING

AS DECISION-MAKERS IN FINANCIAL SERVICES ORGANIZATIONS INCREASINGLY RELY ON RAPID ANALYTICS FOR THEIR DECISIONS, THEY FACE SEVERAL CHALLENGES, OF A TECHNICAL AND ORGANIZATIONAL NATURE.

DATA INFRASTRUCTURE MUST CHANGE

According to our research, more than half of the UK's financial services institutions struggle with their data infrastructure:

55%

said that their current data infrastructure does not enable them to innovate at speed.

55%

agreed that they will need to improve their data infrastructure to be able to recover successfully from macro or micro economic challenges.

As organizations evolve their data strategy and the infrastructure they need to support it, they must consider their short-term and long-term needs. In cases where ripping and replacing existing systems isn't an option, a medium-term solution is to add an extra layer to accelerate legacy infrastructure. This can help organizations modernize their analytics stack without complex overhauls.

In the longer term, however, it is important that the underlying infrastructure is scalable, flexible, and robust. This will support the demand for rapid decision-making, and prepare the business for any future crisis.

BARRIERS TO EFFECTIVE DECISION-MAKING

USERS CAN'T ACCESS THE RIGHT INFORMATION

More than a third of the respondents in our research (36%) said they need more information, and are unable to tap into new data sources.

There may be several reasons for this:

3RD PARTY DATA

It can be difficult to get data from third-party companies providing services to the organization, for example in sales and marketing.

DATA QUALITY

Analytics managers may resist bringing in new data without assurances about its quality, because once data is in the business users may then come to rely on it.

INTERNAL BARRIERS

27%

The barriers may be internal. 27% of our survey respondents told us that having data in silos is stopping them from having a complete and single view of the customer.

37% SECURITY IS A CONCERN

37% of respondents said that security and GDPR concerns were one of the biggest technology roadblocks to making decisions within the business. In particular, financial services organizations may struggle to take advantage of cloud-based analytics solutions because of security concerns. Regulators need a lot of reassurance before allowing financial services data to go into a public cloud.

33% QUERY TIMES ARE SLOW

A third of the financial institutions we surveyed (33%) struggle with query times being too slow. It's clear that the new normal will demand that organizations move towards real-time decision-making, with data available as and when it is needed.

BARRIERS TO EFFECTIVE DECISION-MAKING

POOR DATA QUALITY HAS TO BE ADDRESSED

Data quality needs to be improved, according to 29% of our research respondents. This reflects insights shared at a recent event from within the financial services industry, where an attendee said that execs are becoming extremely interested in data quality, data governance, and data ownership for the first time, now that COVID-19 is affecting the bottom line. Data quality challenges can be categorized as:

CONSISTENCY

Challenges arise when organizations merge, or when siloed legacy systems are used for different applications and products.

TIMELINESS

This depends on data capture and update processes, but also reflects the speed of the analytics solution.

ACCURACY

Front office functions with the most customer contact will carry some responsibility for ensuring that data is accurate and complete, but data cleaning may still be necessary.

When data is siloed, it is more likely that quality problems will arise. Taking a holistic view of data makes it easier to maintain a consistent, timely, and accurate record for each customer. After all, gathering vast quantities of data is not a problem for organizations in the sector - generating reliable and applicable insights from that data is more of a challenge.

BARRIERS TO EFFECTIVE DECISION-MAKING

THE GAP BETWEEN THE ANALYTICS TEAM AND THE BUSINESS MUST BE BRIDGED

32%

A third of our survey respondents (32%) said that the analytics team doesn't understand their requirements.

It can be difficult to bridge the gap between the business and the analytics and IT functions. Business users may not wish to delve deep into the technicalities of analytics, and the analytics team may not have deep business knowledge.

IN A RECENT ROUNDTABLE DISCUSSION, TWO SOLUTIONS WERE PROPOSED:

Agile, virtual teams can be created that bring together people with expertize in the business, data science, and IT. These teams can work closely to develop and launch new analytics solutions, ensuring that they meet everyone's requirements.

One institution created a 'mid office' function with expertize in business intelligence, data science, and data governance. Its role was to sit between the business and the IT team to improve the quality of analytics solutions.

We recommend organizations establish a Center of Excellence (CoE) or Innovation Lab that can take a more strategic view of analytics and help to drive the organization forward. It can bring together data specialists from different business functions, including scientists, engineers, architects, delivery managers, workflow integrators, and analysts. Smaller organizations might not have people formally in those roles, but can nevertheless form a team with people from different business functions contributing alongside their day-to-day work.

BARRIERS TO EFFECTIVE DECISION-MAKING

SELF-SERVICE ANALYTICS NEEDS TO BE PRIORITIZED

It's hard for people to make well-informed decisions quickly if they can't access data directly:

20% A fifth of survey respondents (20%) said that one of their biggest challenges was that they didn't have access to self-service analytics.

39% At the same time, 39% of financial services organizations have increased the number of people with decision-making authority in response to a crisis.

Many financial services organizations are wrestling with the challenge of data democratization. They want to provide the data their people need to make better decisions, but need to balance that with data governance requirements to ensure data is used appropriately and its accuracy is protected.

Revolut Digital bank Revolut has democratized data across its organization using Exasol. Even as data volumes increased by 20 times in a year, query times dropped from hours to seconds. **"WE ARE AN EXTREMELY DATA-DRIVEN COMPANY AND EXASOL WAS A GAME CHANGER FOR US,"** said Demeter Sztanko, Head of Data Engineering at Revolut. "We wanted to ensure everyone has access to the data they need for their daily work in a simple and efficient manner, and Exasol has helped us achieve that. People gain more trust in data by studying and using it. Today, almost every department is relying on Exasol."

DATA LITERACY NEEDS TO BE IMPROVED

As well as overcoming organizational and technical challenges accessing data, institutions need to ensure their people can work with it. Data literacy is a significant problem, but it is being addressed according to our research:

21% Only 21% of organizations are completely confident in the levels of data literacy within their business

96% This is despite nearly all organizations (96%) knowing which questions will deliver the insights they need from their data

89% 89% of organizations are working to improve data literacy

There has been an increased focus and reliance on data analysis for decision-making across organizations. Whether you're in product development, production, distribution, marketing or sales, data has become a key factor in many roles that previously depended on expertise and experience. To use that data to best effect, raising levels of data literacy across a business is crucial. Organizations will need to invest time and money into training their staff so that they have the appropriate level of knowledge to work with data effectively and can ingrain data-driven decision-making across the business.

WHAT NEXT?

TO THRIVE IN THE MARKET TODAY REQUIRES GREATER AGILITY THAN EVER BEFORE. FINANCIAL SERVICES ORGANIZATIONS URGENTLY NEED TO DEVELOP THEIR ANALYTICS CAPABILITIES TO SUPPORT REAL-TIME DECISION-MAKING. THIS WILL REQUIRE THEIR DATA INFRASTRUCTURE TO EVOLVE, AND A NUMBER OF TECHNICAL AND ORGANIZATIONAL BARRIERS TO BE OVERCOME. IN PARTICULAR, IT WILL BE IMPORTANT TO ENSURE THAT DATA ACCESS IS DEMOCRATIZED, SO THAT THE RIGHT PEOPLE HAVE ACCESS TO THE RIGHT DATA, WITHOUT COMPROMISING ON DATA QUALITY AND GOVERNANCE.

SO, WHAT ARE THREE PRACTICAL STEPS ORGANIZATIONS CAN TAKE TO BECOME DATA-DRIVEN?

#1 PRIORITIZE WHAT YOU OPTIMIZE

There will rarely be budgets that cover everything on the wish list. So, leaders need to agree on the organization's priorities and where to concentrate resources. Areas to begin with could be improving scalability, boosting data quality and eradicating silos.

#2 INVEST IN DATA LITERACY

The success of any tech investment will depend to a large extent on how well-equipped employees are to work with it. If they don't have the data literacy skills to really understand and use the information that's available to them, effective use of data across the organization will be severely hamstrung.

#3 ROLL OUT SELF-SERVICE

As more requests pour in from more departments, data leaders will rely on self-service analytics to manage the demand. Giving people more control over their data analytics journey will be essential to embedding data-driven decision-making processes long-term.

VIEW THE FULL REPORT

If you're keen to find out more about the cross-sector findings from this research, download the full study now.

WANT TO HEAR MORE FROM YOUR PEERS?

Our in-depth report includes insights from interviews with professionals at FTSE 100 and Fortune 500 financial services organizations. Read more now.

ABOUT EXASOL

THE EXASOL HIGH-PERFORMANCE ANALYTICS DATABASE IS BUILT TO RUN FASTER THAN ANY OTHER DATABASE, DELIVERING NEXT-LEVEL PERFORMANCE, SCALE AND EASE OF USE. ANALYZE BILLIONS OF ROWS IN SECONDS; RUN HIGH-PERFORMANCE ANALYTICS SECURELY IN THE CLOUD OR ON-PREMISE; DELIVER FRICTIONLESS ANALYTICS WITH SELF-INDEXING THAT AUTOMATICALLY TUNES PERFORMANCE; AND SCALE OUT ANALYTICS FOR ONE TRANSPARENT PRICE.

CONTACT US TO SEE HOW WE CAN HELP YOU ACCELERATE DECISION-MAKING TODAY.
EXASOL.COM

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