FC Business Intelligence

Data Driven, Customer Oriented, Analytically Motivated: The Future of Retail Banking

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Retail Banking Analytics Europe 2016
Conference and Exhibition
20th – 21st June 2016, Grange Tower Hotel, London

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The financial crisis and new forms of competition have created an extremely turbulent era for the retail banking industry in Europe. Uncertainty and commoditisation have shifted the focus of many European banks to seek greater profitability on payments and through to run a leaner organization. Analytics has emerged as a potential deliverer, but industry adoption has been slow to date.

Retail banks hold vast quantities of data, are aware of the many silos and systems that contain this information, and have begun testing the most obvious applications of data and analytics. Initial investments have targeted low-hanging fruit and produced modest returns for many, but the time and funding for large-scale development have not yet appeared.

While retail banks have been slow to move forward, other industry and new competitors are filling the space. New challengers are emerging and targeting both core retail banking products as well as new lines of business that can cut against future products and services.

Analytics holds the promise of a smarter banking environment that is better able to manage the many risks and challenges banks face. The next step is for retail banks to move past basic descriptive analytics and reporting into new predictive and prescriptive capabilities.

Industry experts feel say that future wins will be found in improving the relationship between banks and their customers on a personal level. From optimizing a product portfolio that matches individual consumer habits to providing products before a customer knows they need it, sophisticated analytics and fraud modelling can allow banks to meet the demands of valuable customers while removing customer-related threats.

Twenty-five Industry-leading experts from across the globe spoke to use about the major challenges and benefits of adopting analytics paradigms in retail banking, and what the space looks like today. For the best understanding, banks must first look at the overall European market and current customer demands for personalized experiences, new service channels, and a shift in the devices consumers want to use.

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The State of Banking Analytics and Customer Statistics

The advent of analytics has already changed the face of retail banking. The industry faces a turbulent time where consumer demands are moving away from traditional service offerings, while new data-driven companies have emerged and are taking a sizeable share of the market.

Retail banks are aware that they sit on a mountain of data, but the impetus to use that data hasn't fully arrived. It is best to look at market and consumer statistics to gain a handle on the current challenges, cultural requirements, and opportunities.

The Overall Market

EU bank revenues from retail payments in 2015 are expected to reach €128 billion, according to Deloitte. Revenues break down as follows:

- 44% from interest.
- 35% from transactions.
- 21% from products (annual, maintenance fees).

Much of this is from traditional products and offerings, but margins on these products are declining.

Digitization of products and services is viewed as the most common method to improve margins, but McKinsey&Company notes European retail banks have digitized only 20% to 40% of their processes. Less than 1% of total spend is invested into digital projects at 90% of EU banks, creating a shallow set of digital offerings.

One of the brightest spots is Fintech. Global investments in Fintech firms tripled in 2014, reaching approximately €11.16 billion, according to Accenture. Europe experienced the highest level of growth with a 215% year-on-year increase.

New services and markets are expected to push investment higher especially in the UK where roughly 60% of European fintech start-ups are based. The fintech industry delivers an estimated £20 billion in revenue to the UK economy.

The Budding Era of Analytics

Almost every bank executive knows of the benefits that analytics may provide, but there has been a reluctance to start a program. Looking across multiple industry studies, a safe estimate is that less than 40% of banks have hands-on experience with live Big Data implementations. A majority are testing pilots and experiments but have not gained customer insight yet.

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Analysis is also not as widespread as many in the industry would prefer. Reports have found:

- Less than 50% of banks analyse any type of external customer data such as online behaviour.
- Under 33% run analytics on customers' share of wallet
- More than 60% of banks say they are being cautious about Big Data implementations due to privacy concerns.

The future appears somewhat brighter as the Everest Group notes retail banking analytics using third-party data and resources is presently growing and expected to quadruple from 2014 to 2020.

For the banks who have not gone live with a Big Data project, there are three common barriers to implementation. Top inhibitors to adoption include: disorganized and siloed data, shortage of data scientists, and the time it takes for analytics to deliver data-driven insights.

While analytics adoption has not been robust in the past, there are new pressures that may increase adopting during the coming years. One key area is headcount.

Ernst & Young have noted that 43% of bankers expect to reduce their headcount next year. In Europe, the UK is the only market where more banks expect headcounts to rise than fall. Cuts in retail banking will focus on operations and service, which may place a major emphasis on analytics that improve customer service and streamline offerings.

In the same study, 71% of bankers said risk management is a top priority; another area where analytics has been making strong returns.

Customers Have Diverse Demands

More than 70% of banking executives worldwide say they view customer centricity as important, but just 37% of customers feel that their bank understands their needs and preferences, according to Capgemini Consulting.

When asked, customers consistently note that convenience is their top guiding factor for choosing a retail bank. Simple online banking is the most desirable characteristics for day-to-day banking. Banks can capitalize on this through some analytics, though robust platforms will provide back-end benefits that are not always visible to customers.

Consumers also like the ability to carry a debit card in place of cash, desired convenient branch locations, and want ATMs near their places of work and shopping.

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PricewaterhouseCoopers' forecasts project the global middle class to grow 180% between 2010 and 2040, with roughly 1.8 billion people moving into cities over that time period. While Asia and Africa will lead this urban migration, financial service businesses may need to adjust policies now to start capitalizing on shifting demographics.

The Local Branch Is Still Important

Customers can't be viewed with an all-digital lens. There is not only an existing demand for branch services, but customers actually want a more intimate branch experience, which they say will drive them to branches more often.

According to research from TimeTrade Systems and McKinsey&Company,

- 75% of retail banking customers visit a branch at least five times a year.
- 60% say they do not have a relationship with staff at their local bank.
- Nearly half of consumers prefer to do their banking in a branch.
- Only 25% of all EU bankers use just a single channel for their banking.

Mobile Banking and Tablet Support

Mobile is the largest banking channel for the majority of banks when looking at volume of transactions. According to Juniper Research, nearly 1.8 billion people will use mobile banking by 2019, a significant jump from the 800 million who used it in 2014.

In Europe, the mobile banking adoption rate is 38%, and the average mobile banking user is aged 39, older than the averages in the Americas and APAC region, according to KPMG. This profile plays a significant role in the fact that tablet banking is expected to overtake mobile banking in every European country except for France by next year.

Mobile payment support is not necessarily a requirement for retail banks. A Deloitte study found these payments have very mixed support. Roughly 28% of EU retail bank customers prefer to use these payments for low-value transactions, and that was its largest positive segment. More than one-third of EU bankers say they're not currently confident enough in mobile payments to use them.

These and many other customer factors are shaping the way banks look at analytics, which provides a significant set of potential benefits and major barriers to its adoption across the industry.

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Retail Banking Analytics Key Challenges and Responses

Each company faces a unique set of hurdles to getting their analytics program off the ground. Infrastructure, budgets, staff, leadership, and outside pressures will combine to make the project difficult, but will not detract from its significance or overall value.

Looking at these concerns from a high level can provide the right vantage point to solve current problems and plan for future issues.

Build a Data-Driven Culture

Data-driven insights need buy-in from all ranks, or the understandings of analytics will stumble during execution. Without top-down driving the support, analytics paradigms are slow and can fail to produce any true innovation for customers, employees, or systems.

Industry experts point to no standard for organizational structure in retail banking today. Some firms are performing well while others lack the leadership to present a vision that looks across all business propositions.

There is concern that lacking executive sponsorship is a troubling signal for the health of a company. As customers move more activity and interaction to digital channels, and the do-it-yourself mind-set takes a stronger hold, the analysis of data will play a more central role in every aspect of the banking business.

Without leadership serving as the main driving force for analytics and the use of data, any brand risks losing their current competitive advantages. Some also risk business failures that can lead to significant fines.

Regulation Continues to Be a Significant Burden

Professionals who've spent any significant amount of time in the banking sector know that regulations play a role in every element of the business. Data faces restrictions on collection, usage, and sharing, but systems may be able to address some of this concern if internal rules are used to maintain compliance.

Regulatory bodies such as the Prudential Regulation Authority (PRA) and the European Banking Authority (EBA) have a variety of controls on data and interaction is commonplace. For example, the PRA represents the UK on the EBA, so regulations on deposit-taking institutions, investment banks and insurers often follow a similar course.

Consumer protection and fraud detection are two top focuses of the EBA. Experts told us that these areas represent some of the most significant data challenges such as adhering to new regulatory technical standards for

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customer authentication and communication as well as updates to guidelines on passport notifications.

Analytics platforms can be designed, or purchased, with the ability to update based on regulatory compliance for information policies throughout Europe. Banks typically have staff on hand that work to keep track of current and pending requirements, but expanding this to the analytics sector can take additional manpower and slow down efforts.

One of the biggest impacts of data provisioning on the banking community is a strong pressure to meet compliance and capture requirements. It can be difficult and costly to have a system that manages all data across multiple inputs, collates it properly, and makes it usable in an acceptable way.

Other concerns where regulations and regulators will come into play include:

- Loss or theft of data.
- What is appropriate to sell to third parties?
- When can internal data be used to promote new products or services?
- What data can be combined internally for broad-spectrum analytics, such as determining trends, looking for fraud, and creating customer profiles?

Many retail banks are facing tough considerations on how to meet new regulatory changes and requirements. Some are starting to shed their insurance, investment management, pension advisories, and other services because there is a concern over branch staff providing a high-quality service and back-end systems properly managing this data.

In-Depth Reviews

EU banks can expect an increased scrutiny of their activities and even some of the analytics processes themselves, according to a joint statement from the European Securities and Markets Authority, the European Banking Authority and the European Insurance and Occupational Pensions Authority.

The plan for 2016 is to dig further into the algorithms banks use for internal analytics as well as how algorithms are used to make recommendations to customers, typically in the place of a human-to-human interaction. Policy recommendations are expected to be made, and potentially implemented, next year.

The overarching goal is to ensure that banks are properly protecting customers, operating under clear and transparent rules, and aren't inflating their fairness in lending.

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Modernisation of Infrastructure

Retail banks large and small are finding that much of their analytics investment needs first to focus on equipment. There's a need to sort out the plumbing because the physical aspect of a data system can be a significant limiting factor.

In large retail banks or sectors where customers have multiple channels for interaction, organising and centralising a data warehouse is a complex construction. Platforms will need to be robust enough to handle every different touch point and data source, creating high demands on storage, processing, delivery, and testing environments that are clean and secure.

Executives all face the same demands and most tend to share an intense drive for generating and processing more information. Unfortunately, many technologies currently in banks don't have the flexibility to track new information flows, access legacy systems or hardware, and then process this data with an output that those legacy systems can use.

Data Storage for Retail Banks

A positive note for banks is that many of the available systems can handle these IT challenges. It's become a question of budget constraints more than capabilities.

Technologies such as Hadoop are becoming more common in retail banking conversations, even if adoption rates remain relatively low. Essentially, the banking industry understands what is available but has yet to cash in on this potential.

Today, Hadoop technologies can help banks to analyse all of their customer information, not just statistically relevant samples. Subsets no longer need to stand in for the whole. That said, aging infrastructure represents a challenge because it cannot adopt the storage or processing capacity that Apache Hadoop needs to shine.

New models of storage are expected to start replacing today's infrastructure in the next few years simply because of cost. Retail banks are looking at secure storage options that may soon exist in the cloud, where much of the advancement in processing is focused.

Edge computing is also playing a role in spread of analysis away from centralised nodes to points of connection and network sides. It's something of a budding science in the banking space but advancements are decreasing costs for large-scale implementations, making it affordable to process data more quickly and maintain secure networks.

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The cloud is becoming a place where initial analysis can take place, then moving samples or data sets to standard Hadoop deployments. Long-term storage has also moved to the cloud at a cost of pennies per gigabyte, which is a more feasible option when companies remove personal and identifiable information.

Data Scientists Wanted

Some of today's retail banks may have hundreds of data scientists on staff, while others are outsourcing analytics work and leave most program management to these third-parties. Funding and the nouveau field initially led to a scarcity of analytics talent, but most companies are now seeing the number of applicants rise for each successive job opening.

The key going forward will be data scientists who have experience in financial services, allowing them to best marry regulations and business insights with data conclusions. The shortage is receding, and now companies are struggling to determine how much industry-specific knowledge they need on their staff.

Some experts noted that marketers often lead data efforts. This setup can create opportunities where regulatory and security risks emerge without resolution.

Retail banks face a variety of special circumstances where governance and compliance can become tricky:

- Family accounts with some shared permissions.
- Merging savings and accounts databases.
- Using personal details for marketing.
- Data used for the reselling of outside products such as insurance.

Marketers may also lack some training of IT specialists and data scientists, so offline data may not be optimized. Market leaders said these concerns exist today and that employees with limited analytics knowledge have found difficulties in working with legacy platforms that were not built for data sharing, data centralisation, or integration with new platforms.

It is important for a retail bank to hire IT staff and data scientists who can modify these systems in a safe, controlled manner. Turning advancement over to marketing or other departments who don't have the technical expertise can damage a bank's digital backbone, or prevent staff from ever feeling confident enough to make updates to a core system.

Machine Learning Gains Importance

Industry leaders are starting to look for professionals with expertise in machine learning because it can benefit current analytics and product creation.

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Machine learning plays a large role in developing an individual customer view and manging related risks. Determining credit worthiness is crucial for product offers and rates, and machine learning represents one of the safest paths forward.

The holistic customer view will provide businesses with an automated way to determine what to offer to whom and even when to make the offer. Data mining can yield significant insights, and machine learning provides the right feedback loop to keep offers optimised.

Learn to Tell a Story

Developing a data culture is an old problem and communication is typically the biggest barrier.

Many data scientists and teams tend to focus on pure numbers during presentations, hoping that statistical significance creates a compelling explanation on its own. Unfortunately, this can lead to boards or executives who can't follow the data points. When leadership doesn't understand, it won't back a system.

One of the key areas most data teams need to work on is the ability to communicate clearly and closely tie data initiatives with business deliverables. Data teams need to understand what they're being asked to deliver and then must have the wherewithal to transform that into a presentation that's understandable.

It can be difficult to recognise that disconnects often are a result of culture instead of an inability on the part of a particular person. Executives tell us that people on both sides of the concern can further the conversation by maintaining professional, non-confrontational tones.

They suggest tackling business problems by adopting a clear path to analytics through crisp storytelling can lead to significant future gains.

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Key Benefits in the Adopting of Analytics

Banks sit on a wealth of information and transactional data that allows them to know customer habits better than almost any other service provider. Analytics programs can make use of all of this information and build benefits that are internally delivered to customers, helping them stay in proper compliance with regulations.

If you've got a coffee habit each morning, your local shop will know about your spending habits but that brand itself may not. Banks, however, can see and determine this habit, even if you change coffee shops each day, when they apply analytics to your spending.

Banks can determine all different types of habits, creating opportunities to better understand customers, deliver relevant options, and incentivise loyal customers. Essentially, analytics can show areas where the bank can provide value and improve day-to-day living and spending of their customers.

Improving Convenience and Products

Customer convenience can be monitored and improved through the application of analytics by retail banks. Looking at patterns of usage and spending allows banks to provide customers with smarter ways to spend money, instead of making an ask where the customer needs to spend more.

Analytics can be used to inform behaviour and even influence some behaviour to an extent where customers get value in exchange for providing data or using a specific product.

For example, if an individual currently spends a lot of money on travel, analysis can be used to determine what inconveniences they face. Banks can then respond by shifting a 5% cashback plan to chains common in airports or that supply travel benefits. Or, consumers who drive frequently may be more willing to purchase a financial product that gives a savings on petrol than other offers.

Convenience comes into play for user interactions direct with banks, such as mobile transfers and deposits, as well as third-party integrations like bill payments. Other elements that analytics can track may include notification sand whether or not customers read any communication from their bank.

A low-balance alert, offer for an expanded credit line, or a chance for a new cashback program may all see better open and usage rates if they are delivered by mobile SMS when targeting millennials, for example. In the same light, a bank's Web presence may be optimised by analysing which features are used most and placing links or login options for these on the main page.

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Almost every aspect of business has the potential to be improved by analytics. Focusing on areas that deliver better products to customers or make banking easier tend to improve brand reputation, making them a focus for many retail banks.

Understanding and Managing Bank-Specific Risks

Risk analytics and Hadoop deployments have begun to help banks understand the jeopardy they face through a full understanding of data. Risk analytics specialize in combining structured and unstructured data to create a complete picture of existing and potential customers.

Lending and increases to credit limits are two areas seeing current benefits because analytics are improving customer products and revenue streams without an increase to the rate of default a bank experiences. When these programs are successful, they grow overall customer profitability and often lead to increased customer loyalty.

These risk assessments rely on text mining and predictive analytics to continually improve models and services, with long-term options benefits to both risk and fraud mitigation. Integration across data warehouses and branch locations is currently a difficulty.

However, risk analytics platforms are experiencing significant development in data management and integration capabilities in order to make these platforms more successful in the future.

Large-scale Processing

Every time a retail bank provides a loan, credit card, or other transaction, it should price risk into the deal being created. The growing amount of data available on individuals and businesses makes risk calculations ever more complex.

Risk simulations currently demand significant computing power and any downtime in the system can cause performance issues. Hadoop technologies are starting to solve these concerns by providing reliable, scalable analytics power.

Leaders say that today's technologies not only scale well but have begun to dashboard information in a way that's easy for branch employees to understand. Quick delivery of these insights makes the day-to-day operations more fiscally successful. Gains start small, but a platform can quickly expand and future development is expected to create a very powerful model for understanding risk and properly pricing it for every customer.

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Mitigating Fraud

Fraud remains a significant threat to everyone in the banking space, but especially to retail service providers. Many of the threats faced by retail banks are akin to those the insurance industry faces, so insurance analytics successes can be viewed as a positive sign for banks, experts noted.

People who are willing to be dishonest in one area, such as credit card fraud, are likely willing to be dishonest in another area, say unauthorised overdrafts. The indicators of fraud carry over and can help banks start to build a profile of who looks likely to commit fraud.

Analytical modelling and predictive analytics can help banks start to determine who is the most likely to commit fraud and look for ways to monitor their activity or even change their behaviour. Pattern matching and recognition can even help banks determine when fraudulent activity is about to occur, allowing them to quickly prevent concerns or work with authorities to stop the activity.

Addressing fraud can prevent financial losses when banks and their customers are targets of fraud and when people or organisations attempt to use a bank facilitate fraud. Anti-money laundering software and analytics can be expensive, but fines are potentially more detrimental. This summer, two of Sweden's banks were fined between SKr35 million and SKr50 million because they did not perform risk assessments on customers or properly monitor accounts.

Policy changes that work are relevant to everyone from the board level to a person in the contact centre. Internal communication and data sharing are vital to successfully creating and implementing policy changes. Gap analysis based on past fraud and missed opportunities can help retail banks ensure that they're protected through a smart system of alerts and identification of risks.

Maintaining the Right Touch

Retail banks actively seek ways to increase transaction volumes, but this directly increases the risk of fraud. Analytics can be a tool banks turn to when looking to balance these goals with overall product offerings.

The single customer view, which relies heavily on a strong analytics program, has emerged as a top way to start rooting out fraud without harming customer relationships. Tracking customers across multiple channels through traditional means is proving difficult. Analytics, however, allow banks to look at information triggers that can manage a customer's profile.

Static data, such as logins and historic transactions, can be analysed to determine current and future value, allowing banks to understand the customer individually.

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Dynamic data, in particular digital transactions, can be analysed relative to the individual's static data and against macro trends in order for banks to better prevent fraud or at least seek credential verifications. Profiles and trends can also be checked against third-party databases to help detect fraud – a process that's become more common as processing power and costs continue to decline.

The European Central Bank says at least €1 in every €2,635 spent on credit and debit cards is lost to fraud. Analytics is one of the best investments for banks to consider to catching fraud while minimizing intrusions into the daily banking habits of good customers.

Internal Fraud

The discussion of fraud and risk management is often focused on the customer, either fraud they commit or fraud committed against them. However, significant threats often come from inside. There's something to be said for analytics of individual employees.

Banks tend to thoroughly vet everyone when they join, but not all have a robust policy of continued review. By looking over their lifetime and modelling based on past losses, banks can work to identify areas that may cause career employees to commit fraud.

HR analytics can also be used to evaluate employees and determine their overall job satisfaction. Improvements here can be just as important as limits to the opportunities for theft. There is currently an emphasis on optimizing the number of employees per branch. Lifetime analysis can help banks ensure that they're not placing too much stress on employees by emphasising cost-savings over capability.

Reducing Costs

Adopting a culture of analytics will also help retail banks to identify areas where their standard business costs could be reduced or where assets and resources could be redeployed for best results. Banking offers a variety of cost-reduction opportunities, and the starting point depends on which area an analytics team can identify as low-hanging fruit.

Marketing is often a starting point because departments have a good handle on what data can be used appropriately. Analytics can help marketers determine the best channels and pricing models to reach new customers, or which benefits for long-term customers have the best up-sell opportunities.

Risk and compliance modelling referenced above can help fraud teams better focus their efforts and develop early-warning triggers that may limit losses.

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Using analytics in call centres will help a bank gain a better understanding of its customers by reviewing their concerns and needs. Analytics of conversations can help banks improve the knowledge they provide to customers initially and find service bottlenecks that can be removed.

Call centre representatives can have their activity analysed so that they are connected to the caller who will respond best to their personality and communication style. Data on known customers and information gathered through automated phone menus.

The potential for cost-savings depends on the overall company culture. If leadership pushes the analytics mind-set, then each business unit will have the confidence it needs to make decisions based on information. When insights that analytics provides are counterintuitive, they may not be listened to without confidence from leadership.

Brands who avoid analytics not only risk losing competitive advantages but may also be left behind as new retail banking services and service providers emerge.

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New Competitors Come from Multiple Sources

The benefits that analytics can provide to retail banks must be considered in the light of the competition banks are facing from non-traditional sources.

Digital commoditization and the sharing-economy philosophy are making headway in the financial sector, making data use more important than ever. New entrants into the space will be heavily focused on managing customer data for insights, and early successes of these competitors are perhaps the best motivation for any brand to adopt an analytics-driven mind-set.

Challenger Banks

Challenger banks have become one of the largest concerns for traditional retail banks because of their recent success. These banks have shown early success in combining digital service with local branches – the locations of which are often determined through analytics – that offer specialized services like longer hours or more open days.

Top contenders in this space are now finding themselves listed on exchanges, such as the listing of Shawbrook Bank and Aldermore on the London Stock Exchange.

The main driving force of challenger banks is managing the cost-price equation of services relative to current account and savings books with new technology. The emphasis is on delivery through new methods such as apps, smart phones, and Web channels. Everything that can be turned into a self-service model is.

The self-service approach drives down costs during the initial stages, allowing for an emphasis on technology. For many consumers, this is actually a preferred service model, allowing the challenger bank to deliver a better savings rates or lower costs.

Challenger banks typically don't have to worry about legacy systems, making them a more imminent threat.

These challengers also have a data-driven core where analytics and modelling are used to understand and predict the market. That approach allows these banks to look at starter regions with a few million potential customers and develop a model that can be applied to other large metro areas; it's a plan to eventually reach hundreds of millions across the globe.

Single-Product Providers

Start-ups are also taking over some ground by working to revolutionise individual product areas. With a large focus on digital offerings, these brands aim to disrupt an established leader with a lower-cost process.

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Individual companies are popping up in almost every sector where there is a high use; sometimes with a focus on populations that may not have a bank's traditional focus. For example, migrants and EU citizens can turn to money transfer services such as Azimo to send money back to home countries with significantly reduced fees. WorldRemit offers a similar service that has seen significant usage for sending money to Africa because it works with phone-based payment systems.

A concern for these services is that they may be able to convert a happy user base into customers for each new product they unveil. TransferWise has reached a roughly $1 billion valuation for its currency conversion service, and that success could be leveraged for new travel-related banking services.

Data Giants

Major data companies are the looming spectre in the retail banking space. Facebook, Google, and other providers make all of their money by successfully analysing and using customer data. They could bring this expertise to the retail banking space and pose a significant threat.

Tech giants typically lack retail banking experience and would need to build infrastructure, and could face some reluctance from consumers themselves. Europe has a mobile financial service penetrate rate of under 20%, though an Ovum report found that incentivising usage through coupons or secure, unified logins could increase adoption rates.

These competitors face hurdles to adoption, but they are similar to barriers faced in the rollout of other services. Knowledge gaps can be mitigated through smart hiring and investment from their relatively full coffers.

Regulation isn't a strong concern because many of the rules banks struggle to adhere to – such as the right to be forgotten – were born in the tech sector. It is likely that these technology providers will slowly roll out banking products to build trust and expertise. Banks will be best served by adopting analytics in the short-term to prevent long-term customer erosion.

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Predictions for Future Analytics

The retail banking field has a lot of work to do to see significant gains from analytics, but there are many exciting developments already happening. Machine learning is allowing today's modelling tools to venture into the prescriptive analytics space, with big potential for a single customer view.

Technology, teams, and the data itself are making great strides already. When investment and culture catch up, retail banks will find many new ways to capitalize on analytics.

Immediate effects will be found in the most common interaction points including product profitability and fraud. In tomorrow's landscape, analytics will drive broader company changes that innovate on a service level, even if insights are being applied internally.

The future, according to industry leaders, is a much faster and more intimate banking experience.

Branch-Level Analytics

Retail banking has the ability to be very sophisticated in terms of analytics today, but mainly on a broad level. Data delivery systems and cloud-based analytics programs are expanding the capabilities of analytics to more in-field operations.

Many banks are considering what metrics and services can be supplied to individual branches, and eventually individual consumers. Some consumers aren't that capable of managing their finances with a long-term plan, even when taking pension provision into account.

According to AON Consulting, 54% of UK employees and 50% of Irish employees – two EU countries who have the lower side of state pension provisions – say they're worried they haven't saved enough through pensions and may face difficulties from mortgages or face a decline in their standard of living.

This combination creates one of the more interesting areas analytics could serve banks. By providing customer-level analytics and programs – or products – that address an individual's specific needs, banks may be able to improve customers' financial lives. If a bank can provide a compelling experience and generate better financial health, they may be able to combat the trend in customers treating banks as a commodity.

Analytics plays two important roles in this possibility. First, it would be required to understand an individual and present a proper plan that could improve fiscal responsibility. Second, analytics can also be applied on a trial

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of any program to determine what works for consumers, allowing banks to focus efforts on the most capable and desirable solutions.

Banking Fraud Insights Will Happen Sooner

Data teams spend the majority of their time on data verification, cleaning, and governance. Automation is changing that.

Data companies are currently making inroads with systems that can automatically structure information and maintain data management processes. This will free up data scientists and others in an organisation to focus on the lessons that data can teach.

Estimates say that much of the high-level data organisation and even some predictive analytics will be automated within 5 to 10 years. Insights for immediate decisions, such as which products to offer a specific customer profile, will not only become routine insights but they'll be available to anyone at any branch level.

Complex areas like fraud detection will still require data teams for some time, but their time will be spent looking for future trends. With mundane tasks automated, teams will be able to stay ahead of fraud and make quicker adjustments when patterns emerge.

By pairing teams with self-learning algorithms, retail banks will operationalise fraud mitigation to remove more false flags and protect multiple product lines from abuse.

Retail banking currently is poised to enter what Gartner calls a state of "advanced, pervasive, and invisible analytics," with current limitations overcome thanks to improvements in processing power and storage at lower costs. When this becomes a mainstay, the entire landscape of fraud is going to see a significant shift.

Fintech Looks at Predictions

Predictive analytics are seen as one of the big areas of financial technology investment in the next few years. Fintech firms are currently working with a variety of business models and predictive tools, which are expected to begin trickling into the market soon.

One area of predictive analytics is looking at current products and how to anticipate their need. Instead of a bank waiting for a customer to approach them for a loan, spending habits and patterns can be analysed to see if common precursors exist. Again, this type of analytics will be used in places where consumers are traditionally not thinking far enough ahead, such as predicting cash flow changes six months out.

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Predicting that a customer would need a loan allows analytics to inform both marketing and products. As the customer gets closer to the date they'll need a loan, marketing can move from information to ads that showcase a bank's best rates, or even offer preferred rates if the consumer takes out the loan earlier.

The value of these systems sits in the ability to predict future behaviour based on previous behaviour, and will require a significant database for review. If done successfully, this type of analytics can create major value for large and small retail financial services.

Customer Service Models May Shift

Customer relationship management has become a major priority as banks seek to balance in-person efforts with online knowledge centres. A large staff may be required to consistently answer customer concerns, though many of these issues are repeated throughout the day.

Modern artificial intelligence platforms have already provided some basic semantic support to review customer questions and deliver the most likely answer. Past searches and systems often ranged from bad to worse, but recent developments are improving the ability of a platform to successfully answer a complex question.

Feedback loops for improving responses and giving customers support that leaves them feeling satisfied are minimal, and present a strong opportunity for analytics. Adding a layer of review on top of these semantic AIs can ensure that a bank is proving the most relevant and helpful answers.

This advancement will likely build on the backs of existing analytics work supported by linguists. Large banks and software makers are adding linguists to their teams to ensure that analytics come to proper conclusions when working on open-ended questions and unstructured data.

This expertise in combining linguistics with machine learning and data modelling would turn a search-based Q&A service into something smarter that could adjust to regional dialects, unique expressions and cultural changes.

Fintech companies are already attempting to bring semantic search to customer service, akin to creating a Siri or Cortana engine for site knowledge databases. An analytics backbone could turn this into a platform that could be deployed across all areas of operation, all the while learning how best to refine its own answers for each demographic.

Another area that may lead to significant data collection gains and a deeper understanding of usage patterns is support for the Internet of Things. While

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this is an area of excitement today, and many experts see it as playing a role in the future, there is not a clear path forward yet.

Maintaining Compliance

The intellectual prowess of analytics programs often gets the focus, but there are some "simpler" elements that are expected to see a large focus in the coming years. These improvements will focus on smoothing daily operations, and chief among those is staying compliant with EU and country-specific regulations.

Many leaders and data scientists are looking at processes and rule setting that can assist with regulatory and business reporting. A next step is allowing an analytics program to review product roadmaps, data governance, and new data set integration for proper regulatory adherence.

Basel III maintains a top focus in retail banking and proper compliance includes a robust platform of real-time analytics and strong data models. Analytics models that manage compliance and look for industry risks will help business units focus on business goals.

The market has an understanding of liquidity and operational risks. New analytics paradigms will focus on verifying this knowledge and looking for larger trends as banks begin to understand customers through activity cost based modelling and behavioural analysis modelling.

Tomorrow's analytics will look past formatting and schedules to monitor actual data use for compliance. This can help marketing, HR, and other specialized departments to properly work with data and prevent any improper inclusion of data.

Pre-empting regulatory developments and putting new rules in place as soon as regulation goes live are current wants, and analytics applications in development are showing the capability to do this successfully.

Data Is the Future of Retail Banking

Predictions on the next analytical focus for retail banking vary based on each company's need and their balance of systems developed in-house or purchased off the shelf. The true next step is the opportunity to refine processes and improve customer experiences.

Retail banks have access to a vast amount of data that needs to be properly mined, massaged, and managed. When internal teams can handle these tasks and start delivering results, the experts we spoke to believe every point of interaction will become better for the consumer.

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Success lies in the ability for banks to collect information, analyse it, and actually apply it. The industry has been looking at the possibility of Big Data for some time, and efficacious banks will be the ones ready to take a step forward.

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