

# Optimizing Business with Data-Driven Decision-Making

To be competitive in today's dynamic, always-on environment, decision makers must be agile and equipped to act quickly. Consumers expect businesses to anticipate their needs, and competitors are always working to claim more market share. Historically informed, intuitive approaches aren't reliable enough during times of unprecedented shifts in market and consumer behavior. Using data to predict issues and opportunities, inform decisions and drive strategy is essential to maintaining reliable readiness. It also provides a distinct advantage for building and sustaining a competitive edge – and optimizing your business.

Data-driven decision making – using the right data at the right time in the right way – is now table stakes for sustainable success. So, what does that mean for financial institutions?





## The data opportunity – and challenge

Financial services is a data-intense industry with each organization amassing enormous amounts and types of data with every transaction, interaction, mention and reference. Most of this data remains untapped, however, as the challenges to realizing its full potential are significant.

According to Edouard Legrand, Chief Digital Officer at BNP Paribas Asset Management, “The first big challenge facing financial services firms seeking to make more and better use of their data is the data ecosystem, the second is talent and the third is data management.”<sup>1</sup> In other words:

- 1. Accessing and connecting data across departmental and organizational silos while maintaining data quality and integrity.** For many financial institutions (FI), data is “tucked away in legacy systems and data silos where it’s not readily accessible for driving informed decision-making.”<sup>2</sup> The average FI collects and analyzes just 24% of the operational data available to it,<sup>3</sup> while only 7% of surveyed banks had achieved full integration of key analytics use cases.<sup>4</sup>
- 2. Attracting and developing people with the skills necessary to effectively manage the data analytics function.** Data literacy is paramount to gleaning credible insights from the vast amounts of collected data. Market demand for skilled data scientists is high, and financial institutions of all sizes face pressure to attract and retain the necessary talent. According to one survey, 36% of respondents cited recruiting and retaining data scientists as the biggest challenge to achieving their companies’ AI goals, besting both inadequate technology (28%) and insufficient data for model training and accuracy (26%).<sup>5</sup>
- 3. Establishing effective governance and maintaining regulatory compliance.** Studies have shown only 38% of financial organizations globally are ready to handle the risk associated with the safety of the data they have in their systems.<sup>6</sup> Striking the right balance between effective risk management and sufficient flexibility to perform data analyses requires strategic deployment of information security and data privacy protections throughout the organizational ecosystem.

<sup>1</sup> The big-data challenges facing financial services - Raconteur

<sup>2</sup> 5 data challenges facing financial services firms (ironmountain.com)

<sup>3</sup> The big-data challenges facing financial services - Raconteur

<sup>4</sup> Smarter-analytics-for-banks.ashx (mckinsey.com)

<sup>5</sup> State of AI in Financial Services: 2023 Trends (nvidia.com)

<sup>6</sup> The Challenges of Big Data in the Banking Industry (linkedin.com)





And yet, demand for enterprise-wide, data-driven decision-making is increasing:

- Businesses need to grow profitably within existing risk parameters and regulatory requirements
- Trends in governance require better context, controls and communication
- Regulators require companies to demonstrate an understanding of performance against benchmarks and historical trends as part of safety and soundness oversight
- Most importantly, with rapidly changing market conditions and consumer behaviors, organizations must be able to make the right decisions about their customers as quickly as possible to remain competitive

Gartner projects by 2023, overall analytics adoption will increase from 35% to 50%, driven largely by vertical and domain-specific, augmented analytics solutions. And **by 2024, 75% of organizations will have established a centralized data and analytics (D&A) center of excellence** to support federated D&A initiatives and prevent enterprise failure.<sup>7</sup>

So, how can FIs overcome the big challenges and better leverage their data?



## Accelerate and strengthen decision-making with advanced analytics

To keep up with the demand for wider adoption of data-driven decision-making, financial institutions need faster access to data, speed in turning data into insights, and the ability to integrate those insights with decisions.

Enter advanced analytics (AA), the analyses of large datasets with innovative tools (for example, predictive modeling, artificial intelligence and machine learning) and complex algorithms to forecast trends and predict outcomes. Different from (but often complementary to) business

intelligence (BI), which examines historical data to understand what has already occurred, advanced analytics look to the future using data to project and solve for “what if” scenarios. Predictive analytics can forecast what may happen due to business changes, while prescriptive analytics can recommend how the company should respond.

Once thought to be the work of a covert team of data scientists relegated to underwriting, data analytics can make meaningful impact across an organization and throughout the customer value chain. According to McKinsey, “advanced analytics enables superior performance in organizations willing to make the proper commitment: across all industries, **companies that are more analytically driven realize financial growth three times higher than their less analytical competitors.**”<sup>8</sup>

Advanced analytics are increasingly being integrated with business processes across the enterprise via tools and services that conform to the needs and capabilities of the business. Early adopters may create an even greater advantage over competitors that lean in later as small wins and improvements can lead to bigger wins and improvements, putting them even further ahead of the pack.



<sup>7</sup> 100 Data and Analytics Predictions Through 2025 | Gartner

<sup>8</sup> Smarter-analytics-for-banks.ashx (mckinsey.com)



## Use your data to its fullest potential

Advanced analytics can help drive data-driven decisions faster, accelerating growth, enhancing productivity and improving risk management at all levels of an organization – regardless of size or scope. Here’s a small sampling of common questions and challenges facing FIs today and how advanced analytics might help address them.

### Market intelligence and research

Identify growth opportunities and the right strategies to safely capitalize on them.

<b>Business questions</b>	<ul style="list-style-type: none"> <li>• How can I access benchmarking data to understand how we’re doing versus our peers?</li> <li>• Where are others finding opportunity?</li> <li>• How can we better understand groups of consumers to make informed strategic decisions about them?</li> <li>• Which risk tiers and geographies are growing and why?</li> <li>• How can I capture more from my existing customers?</li> <li>• Where do we need to be more competitive? How can we identify and prioritize market opportunities?</li> </ul>
<b>Advanced analytics can help:</b>	<ul style="list-style-type: none"> <li>• Define consumer segments, regions and products to inform strategy</li> <li>• Size segments/opportunities to prioritize investments</li> <li>• Deliver unique benchmarking insights based on a “full wallet” view of consumers</li> <li>• Deepen relationships and get more from existing customers</li> </ul>



### Customer engagement and acquisition

Deliver positive experiences to develop new and deepen existing relationships.

<b>Questions</b>	<ul style="list-style-type: none"> <li>• How can we quickly show performance levels for origination strategies?</li> <li>• What adjustments need to be made to keep performance in line with internal expectations or competitive position?</li> <li>• How can we show regulators existing strategies/forecasts are working as expected?</li> <li>• How can we improve targeting to maximize marketing outcomes?</li> <li>• How can we increase digital customer engagement?</li> <li>• How can we drive profitability through improved underwriting?</li> </ul>
<b>Advanced analytics can help:</b>	<ul style="list-style-type: none"> <li>• Assess marketing channel/funnel effectiveness to identify opportunities for enhancement</li> <li>• Gain a holistic view of the customer to help build personalized experiences</li> <li>• Analyze digital activity and real-time data to better understand consumer behavior and personalize experiences</li> <li>• Identify profit and loss drivers, channel profitability and cross-selling opportunities to inform marketing strategy</li> <li>• Refine, recalibrate or build new custom underwriting models to better understand risks</li> <li>• Develop new or enhanced strategies to optimize decisioning</li> <li>• Evaluate new attributes and scores to overlay or replace existing models</li> <li>• Monitor ongoing model performance for emerging trends</li> </ul>

## Portfolio management and collections

Empower proactive prevention versus detecting fraud after it occurs.

<b>Business questions</b>	<ul style="list-style-type: none"><li>• How can I detect changes that may affect customer profitability?</li><li>• How can I gain insights into loan amounts, line utilization and delinquencies in a specific peer group or geography?</li><li>• How can I take a more aggressive approach to early-stage outreach to prevent future losses?</li></ul>
<b>Advanced analytics can help:</b>	<ul style="list-style-type: none"><li>• Analyze how specific vintages are performing versus competitors to guideline management and treatment strategies</li><li>• Recalibrate models to accelerate identification of accounts in pre-delinquency to improve account management</li><li>• Determine where and how to implement advanced early warning systems to detect and capture fraud at point of origination</li><li>• Identify pockets where credit quality may be deteriorating</li><li>• Optimize prioritization and contactability models to improve collections</li></ul>

## Risk management and fraud protection

Securely manage risk and regulatory compliance while promoting transparency

<b>Business questions</b>	<ul style="list-style-type: none"><li>• How can I strengthen risk management and minimize the impact of fraud?</li><li>• What strategies or processes can I implement to lower the danger of costly blunders?</li><li>• How can I ensure data accuracy, completeness and traceability?</li><li>• How can I reduce the likelihood of human error and quickly detect potential cases of fraud?</li></ul>
<b>Advanced analytics can help:</b>	<ul style="list-style-type: none"><li>• Gain a holistic view of business, past, present and future to better identify and manage risk</li><li>• Find and rate individual customers at risk of fraud and apply different levels of monitoring and verification accordingly</li><li>• Improve prompt detection of adverse incidents and behaviors</li><li>• Inform how to incorporate technology into compliance and risk management processes</li></ul>

## Use your data to its fullest potential

Access to data is more common than ever. All decision-makers, regardless of where they sit in a financial institution, need - and can benefit from - analytics skills and knowledge, including usage and governance:

- Business strategy professionals and product managers analyze market, industry and user data to improve product and service offerings and delivery mechanisms
- Marketing professionals use customer data, industry trends and campaign performance data to develop and optimize marketing strategies
- Credit professionals use consumer data to build or refine underwriting models
- Relationship, portfolio and collections professionals scrutinize portfolio data to manage risk, reduce losses and maximize recoveries
- Operations and IT (information technology) professionals analyze process and system data to find efficiency improvements
- Finance professionals use historical performance data and industry trends to forecast financial trajectories

If you formulate strategies or make decisions without considering the data you have access to, you could miss major opportunities or warning signals it holds.

*Adapted from 4 Types of Data Analytics to Improve Decision-Making (hbs.edu)*





## Optimize your business

Moving an enterprise – or function – from intuitive to data-driven decision-making is a cultural transformation requiring a thoughtful plan that takes you from where you are to where you want to be. As you assess your ability to integrate new data and analysis techniques, and respond quickly to market and portfolio changes, consider the following recommendations:

- **Develop a roadmap** to implement advanced analytics models and solutions. Include the types of solutions to be deployed and the skillset needed to support using those solutions. A clear articulation of current capabilities and resources is helpful to gauge the scope and pace of your transformation.
- **Prepare your data** to be used across the enterprise. Fractured data and legacy systems present challenges that can prevent you from finding value and making the data actionable. To orchestrate the analytics process across your organization, data needs to be merged and centralized to supply a view of an entire customer relationship as opposed to just viewing customers by product.
- **Integrate new data sources** for unique insight and more risk assessment metrics. New sources may include social media, mobile phone data, personal financial management information and others.
- **Apply insight across channels in real time.** Look at your next-generation analytics ecosystem to ensure your solution can quickly produce actionable insight.
- **Choose a scalable solution** that can support multiple use cases, roles and skillsets and grow with your expanding capabilities. Whether you're looking to address a specific issue or transform your overall approach, a provider that offers data openness and deployment flexibility is well positioned for this.<sup>9</sup>



<sup>9</sup> Adapted from Global Analytics Ecosystem Report- FINAL (transunion.com)

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## We're here to help

If you're a well-established, national institution with a discrete need like building new risk models or a smaller, community-focused organization ready to expand your current analytic abilities or anything in-between, Transunion offers consulting services and enabling technology with extended datasets to help your business overcome your unique "data challenge," make better decisions faster and get to market sooner.

From industry benchmarking insights and a hosted analytic environment with integrated data to specified data extracts and broadscale data enhancement to bespoke model creation and analytics consulting, TransUnion TruIQ™ has the range, depth and scalability to help address your evolving needs.

For more information, contact your TransUnion representative or visit

[transunion.com/solution/truiq](https://transunion.com/solution/truiq)

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