

Building a Data Strategy

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The challenge facing most community financial institutions (“FIs”) is not a lack of data. FIs have access to an abundance of information; every day an institution will send millions of data points through expensive networks and applications in order to process, transmit and maintain daily operations. But having this massive volume of data does not automatically correlate to having valuable insights. The value is found in being able to easily turn this cache of data into actionable insights that drive the institution’s ability to serve its community, streamline operations and ultimately, and compete with larger institutions and non-bank competitors.

Multi-national banks are investing in data science teams while simultaneously creating chatbots for their websites, utilizing artificial intelligence to customize user interactions, and applying machine learning to transform tasks from a time-consuming, manual process to a fully automated process. Smaller financial institutions, by comparison, have difficulty in moving past the more basic descriptive data analytics of canned ad hoc reports and basic queries. Add that challenge to their ever-present obstacles of compressed margins and a shortage of resources and available talent to fill the gaps and it’s clear that community FIs need affordable and accessible weapons in their toolkit to level the playing field.

The lowest hanging fruit afforded to a community FI is their data. Despite the core providers best efforts, the FI’s data is their property and (should be) freely accessible.

The FI's mission should be to dive into the deep end of the data pool head-first by deploying advanced data analytics. Advanced data analytics help organizations cut through the voluminous data and gated silos, providing a direct marketplace of the transformative and meaningful data that rarely find their way to the executive's desk. Improved data value and transparency directly results in improved insight, more timely decisions, better customer service, and a lift to the FI's bottom line.

Planning at this stage is crucial. Community FIs need a holistic view of existing processes and outputs. Management must understand their current staff talents, functions and workloads. Once a FI knows where they are, the future path will be more obvious.

It is critical to have the right mindset when starting or refining your organization's data journey. It is easy to feel overwhelmed by the complexity and sheer vastness of the data projects that will be discussed. It is vital to always remember that the data conundrum isn't a one-time fix.

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The management, utilization, and governance of data will be a strategic initiative for the rest of every banker's career. The first step will be hard, but over time progress will be made, work efforts will be changed, and positive outcomes will begin to be seen. Once those first success stories appear, the journey becomes clearer and confidence in where you are headed will grow.

Banks should start with an assessment of the current state of the organization, the company's strategic plan, the bank's data usage, current in-house skills, and customer needs. From that assessment, ideas and pain points will bubble to the top and collaboration and innovation begin to take shape. Gaps in data usage will be identified as business strategies are reviewed. Defining these gaps will set your plan in motion.

Organizational alignment is a requirement that needs to be addressed early in the planning process. Aligning the skills and efforts of staff to achieve your business objectives is critical to achieve the desired outcome.

The overarching Data Strategic Plan will evolve from this initial planning and assessment stage. The roadmap that will be developed along with the strategy will be a result of the vision of where the bank needs to grow and mature. But it will important to once again remember that this isn't a sprint to a finish line, this will be an on-going effort. Plus, most FI's have limited resources, and as noted, having a visible success story early-on will spur the confidence and imagination of the bank. Consider breaking down your overall strategic plan into achievable chunks perhaps based on a timeline.

Banks should understand that a prerequisite for proper and meaningful usage of advanced data analytics is good data. Having clean and complete data is a necessity. Most banks will want to start with a data review project to confirm that their data is complete (all required fields are properly inputted), up-to-date (includes making sure changes over time like officer codes have been maintained), and accurate. This will also lead an organization down the road of data governance. The best way to ensure good data is to embed processes and workflows that improve accuracy and reduce manual error into your normal course of business. This includes better onboarding processes like utilizing the various automated onboarding solutions available today, adding recurring onboarding reviews, and scheduled QA testing to confirm that data is being handled as the current policies envision.

Another pain point that every bank must deal with is its siloed data. This includes the data within the core and the various ancillary systems. Newer solutions are using technologies that help solve this pain point by using APIs, enabling solutions purchased from various vendors to now integrate data between the systems. Such integration could allow a business Intelligence tool that you have purchased to speak with your marketing platform to assess past campaigns and communicate back to your CRM better marketing campaigns that your sales team can recommend. But the cores are still the cog in the data wheel and until they become more open with your data, banks will struggle with data islands.

As technologies evolve, solving the data conundrum in-house becomes a more daunting task. Banks would need to add talent and skills to the staff that are outside of the banking domain. That makes recruitment, management, and retention very difficult oftentimes. The monetary investment will be also be large and the timeline will be long. Evidence of this difficulty is that most fintech companies don't build their solution using all in-house engineers and developers. To expect a community bank to do so carries too much risk. Banks have a large enough uphill battle building their data strategy.



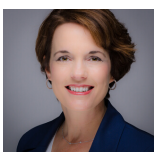
But the fintech community, often seen as a disrupter of the industry, can also be a savior for community banks. New fintech companies are pushing the bounds of innovation by building on top of the prior day's innovation. Solutions are available to community banks today that weren't imaginable a few years ago, allowing for an enterprise data strategy to include various solutions across the spectrum. This means there isn't a "one size fits all" strategy, instead plans should be flexible and tailored to the organization's business objectives and data gaps.

When a data strategic plan is successfully executed, the company transforms into a mature user of their data. Evidence is clear that these efforts lead to improved revenue generation, customer service, and bottom line profitability.

Conclusion

Data and data analytics are more than just a resource for reporting and decision-making support. Rather than succumbing to the weight of a new business model, financial institutions (“FIs”) have an opportunity to create a timely strategy to take part in the global digital ecosystem and uncover the many hidden benefits of centering data and analytics in strategic planning and investment.

Community FIs cannot afford to remain on the sidelines. As the volume, velocity and variety of data grows daily, the tools needed to manage and master all available data will require more time and investment. If executives understand their needs and the realistic bounds of their organizations’ analytical capabilities, proper planning will move their organization forward to better and allow them to fully participate and profit in the growing data-driven digital economy.



Kim Snyder, CPA, is the founder and CEO of Roanoke, Va.-based KlariVis, a unique and proprietary data analytics solution designed by bankers for bankers. KlariVis allows financial institutions to quickly aggregate and visualize their previously siloed and disparate data in one place with unparalleled ease for data-driven decision making.