

The Top 10 Trends in Financial Services That Are Making Master Data Management Essential

What is master data management (MDM)?

MDM is a key enabler for providing a single, trusted view of business-critical information, such as customer and product master data.

Trusted sources of customer and product data can help you reduce the costs of application integration, improve customer experience and yield actionable insight from analytics.

Key to making this master data both trustworthy and insightful is having a transparent view of it. Transparency is delivered via an accountable organization which defines data's meaning, purpose and governance policy.

Master data management defines and implements governance policies to certify that master data's origin, accuracy, coherence, accessibility, security, auditability and ethics are under business supervision and best serving business purpose.

1

Partnering with digital service providers, fintechs and industry disruptors

Banks are morphing into becoming technology companies. Indeed, many already advertise themselves as such: "We like to say we're a technology company that really, really understands financial services" - Agibank

In order to be closer to where the customer and their needs are, different partnerships are rapidly evolving with new types of partners. To support this paradigm, financial services providers need to implement scalable mechanisms by which they can collaborate on the development of new products and services with their business partners. In order to provide access to these new services, open APIs will be required that effectively, put "financial servicing into a box", even if it means sacrificing brand visibility. As a result, traditional financial services providers are becoming less visible but remain, nonetheless, indispensable.

Critical role of MDM:

To provide reliable and coherent interfaces to partners at the point of operational interaction, banks need to apply

Key business initiatives that rely on data transparency

- Becoming data-driven
- Establishing data ethics
- Turning data into revenue streams
- Gaining customer advocacy
- Adhering to regulatory compliance

governance capability to the definition and management of customer, product, distributor and other types of reference data. MDM provides the ability to create, manage and distribute the authoritative sources of reference data required for open banking collaboration with B2B partnerships and in the development of new products and services with those partners.

2

Putting AI and ML into accelerated training with synthetic data

As AI moves from the testing phase to finding full employment, it needs to be trained with synthetic data that reflects real-world use cases and allows it to explore the corners of exceptions. Robotic process automation (RPA) will benefit from this training as it moves towards becoming more intelligent (IRPA). As data training methods improve, bots will take on a wider variety of workloads.

Critical role of MDM:

Getting any automated digital process to execute correctly needs a high degree of reliability on the underlying data. To make the automation intelligent, it must be reliably aggregated with enough information to make the statistical patterns not only able to be analyzed, but also actionable. It's crucial that AI-based data is governed and its decisions are explainable. MDM ensures that synthetic data is generated from coherent data sources thus speeding the time to value of AI and ML projects. MDM provides the data governance that

can help to support the explainability of the AI decision making (XAI) to ensure non-bias.

3

Establishing a data culture with data democracy

Being a highly data intensive business, financial services companies rely on the ability to confidently make decisions based on data. Many organizations are leading initiatives to provide more people with access to more data and analytics to help improve their performance and decision making, effectively making access to data easier and more democratic.

Implementing reliable, data-driven decision making processes is not just a matter of technology. It also requires developing awareness of the impact of data management and the implementation of corporate policy to guide employees to better understand, maintain and harness the data they have access to. This is often referred to as a data culture.

Critical role of MDM:

Any improvement planning needs starting points, measurable waypoints and objectives. Plans to improve data are no different. As data-driven decisions are often based on key business data, such as customer, product and asset data, establishing a plan and associated metrics for this type of data is essential. MDM establishes and monitors data governance policies, yielding metrics that support improvement planning.

4

Becoming customer and solution centric

Although customer centricity is not a new theme, offering a seamless customer experience, integrating sales and service across all channels, is still a key component of any customer loyalty initiative. To treat a customer as part of a micro-segment, or even as unique, product portfolios need to be perceived as working together to form part of a personalized solution that addresses the customer's problems and expectations, rather than an abstract set of products.

Critical role of MDM:

Re-establishing the definition of a product and how they may be combined to form personalized solutions requires MDM to help build new product information management (PIM) processes. MDM also establishes the single view of the relationship from the customer's perspective.

PIM processes must work in conjunction with unified customer views. MDM provides the data foundation to do this with a multidomain capability. Multidomain MDM allows data governance to stretch across and join product and customer data sets. This is needed to define the more complex rules of eligibility, pricing and compliance associated with personalized offerings.

5

Cultivating the digital twin

As customer expectations continue to evolve, the ability of financial services providers to meet them will largely depend on access to ever more insightful and personal information. Studies have shown that customers are willing to share their personal data in exchange for benefits. Offers will have to incorporate more options for personalization that take into account personal data, and, in turn, customers must be reassured that their consent is respected.

Insightful information may be difficult to harvest but has significant competitive value. Organizations will need to review how they can identify information such as intent, preference and perception, perhaps assisted by AI technologies, at the point of customer interaction. Operational and analytical systems are required to evolve in order to help turn such data points into a digital twin of the customer that provides more actionable insight.

Critical role of MDM:

MDM provides the data governance controls to ensure that personal and insightful customer information abides by ethics in its collection, management, interpretation and dissemination. MDM also provides a unified offer development platform that helps to describe offers and the parameters to which they might be personalized according to customer insight.

“ *We like to say we're a technology company that really, really understands financial services.*” - Agibank

6

Offering customer service at the point of need

Using personal interaction channels in conjunction with automated services is not just reserved for direct banking applications, but now extends to the point of need. In some cases, this will make the financial services company invisible to the consumer. For example, when a bank works with a fintech partner who provides a specialized personal financing application, AI technology will need to combine proprietary customer insight data with partner channel specific data. This will enable the bank to develop interactions that enhance the customer experience. For example, rewards might be offered to customers who engage with the services provided by the channel such as payment discounts or preferred insurance premiums.

Critical role of MDM:

MDM is essential to support the development of APIs and interfaces to mission critical data sources that feed back-office AI models and channel partners. Digital advice platforms will be highly contextual and rely on trusted customer data sources that maintain insightful data collected from the customer and other inferred sources.

7

Selling your data

Good data has commercial value. The discipline of infonomics provides support to the mechanism of linking information to monetary value.

Hundreds of companies work in the data collection business to provide data services for marketing and risk management. Other companies have this activity as part of their business, such as search engines, telecom network providers and retailers. Banks already share data; albeit, predominantly anonymized, aggregated and synthesized into the form of trends.

Financial services companies have the opportunity to find new revenue streams from data assets, such as customer data. Banks could get commissions from merchants if they promote their products and services rather than just taking a standard merchant service charge.

Critical role of MDM:

MDM plays a role in establishing the link between valuable business data, e.g., customer data and its relative economic value. MDM can link the quality, coherence and depth of information to rules of individual consent. In turn, economic indicators can be assigned against different data segments, use cases and eventual data distribution points.

8

Implementing proactive compliance management with regtech

Regulatory technology, regtech, is a technology that supports the implementation of regulatory processes. It provides compliance monitoring and reporting functionality. Compliance measures, both regulatory and those imposed by corporate guidelines, are in constant evolution in variety and scope, which makes them data intensive. Use of regtech and the number of organizations that implement it are growing.

Critical role of MDM:

Business transparency and data transparency go hand in hand. Compliance is only as transparent as the data being used to report and monitor it. This makes provision of transparent data to regtech applications essential. MDM provides the ability to manage the safeguards of transparency on the key business facts that often form part of compliance reporting.

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Making transparency part of the brand

Privacy, consent and transparency of products and operations are increasingly of concern to consumers. Addressing transparency through regulation is primarily focused on consumer protection. However, you can furthermore build trust when your customers understand the products being sold, when you provide consent to collect data and respond with clear communications on any change on how data is used, or breached.

The type of information required to support consumer protection evolves constantly. As more companies link their brand to social and environmental issues,

“We want to make it easy for customers to make the changes they need. A smooth and quick process means our customer services teams can focus on adding value.” - Royal London

products and services become associated with these issues and require continued revision of how they are described and presented.

Critical role of MDM:

MDM constructs a single, or 360° view, of the customer. This is required in order to reconcile communication preferences, consent, NPS indicators, behavior and other insightful information that could support the development of a trusted relationship via transparency.

MDM ensures that product and service descriptions are complete and accurate; and, for further enrichment, MDM also includes information that is related to business transparency and that is relative to the personal concerns of the consumer. Such concerns might include environmental impact for products (green banking, for example) and how their personal data is used ethically and with consent.

10

Building a business-as-a-service

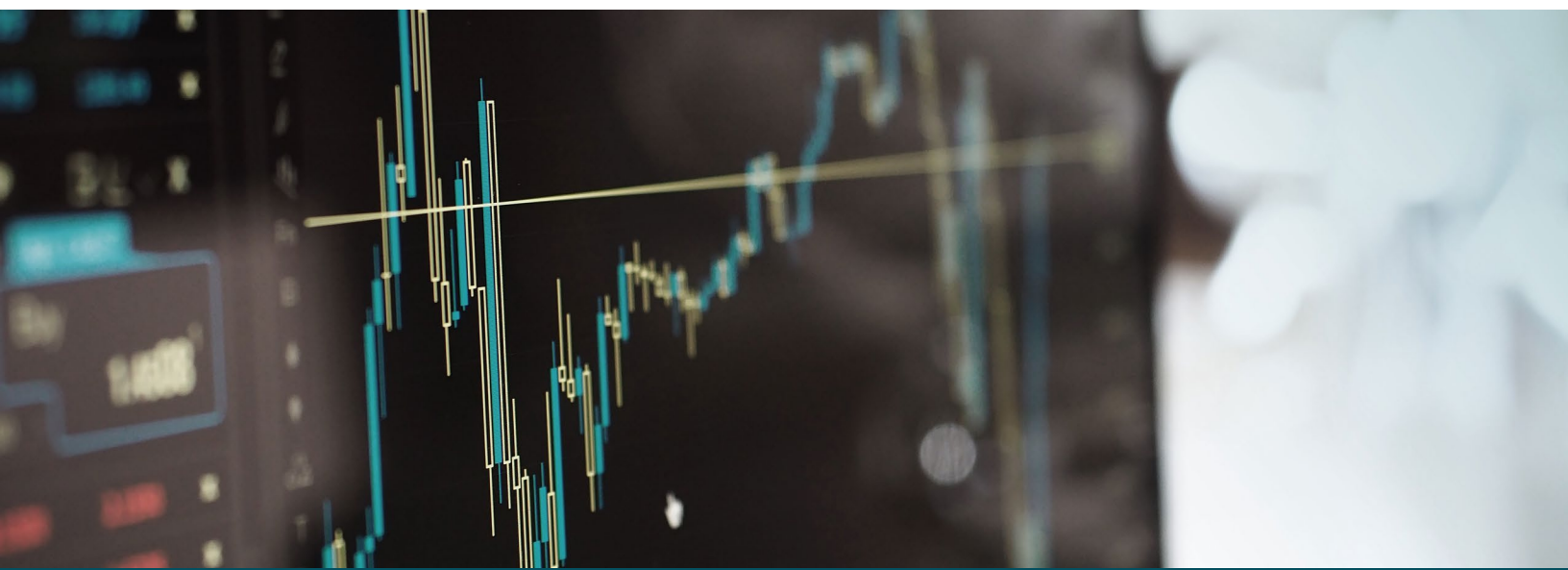
Like many businesses, financial services organizations are evolving into a provider of digital services via platforms, effectively putting the business “in a box”. Migrating from an operation traditionally described with siloed processes and data and silos of lines of businesses to a new way of operating that is open and agile in support of new business models, is no mean feat.

The data challenges of creating a digital service platform are significant. It goes without saying that the data must be of high quality. But beyond that, it must be wrapped in intelligence in order to maximize its value to the consuming application. Data needs to be served up according to contextual business information views, rather than technical views. This may require the aggregation of several elemental pieces of data that collectively support a specific use case demanded of the platform, for example, the customer data required for marketing vs. that for billing or the next best offer based on a particular pattern of customer behavior.

Critical role of MDM:

Creating a single managed and trusted view of critical business information, such as master data, is enhanced by a description of information context and method of consumption. The trusted view provides extended links to data catalogs that help to understand and navigate complex data relationships. Exposing the data’s governance information (meta data description, history of modifications, audit trail, ...) is as important as the data itself in order to support transparency of operations that will leverage the business platform.

Learn more about how master data management can support financial services companies at stibosystems.com/banking and stibosystems.com/insurance



About Stibo Systems

Stibo Systems, the master data management company, is the trusted enabler of data transparency. Our solutions are the driving force behind forward-thinking companies around the world that have unlocked the strategic value of their master data. We empower them to improve the customer experience, drive innovation and growth and create an essential foundation for digital transformation. This gives them the transparency they require and desire – a single, accurate view of their master data – so they can make informed decisions and achieve goals of scale, scope and ambition. Stibo Systems is a privately held subsidiary of the Stibo A/S group, founded in 1794, and is headquartered in Aarhus, Denmark. More at stibosystems.com.