FINTECH FUTURES | REPORTS

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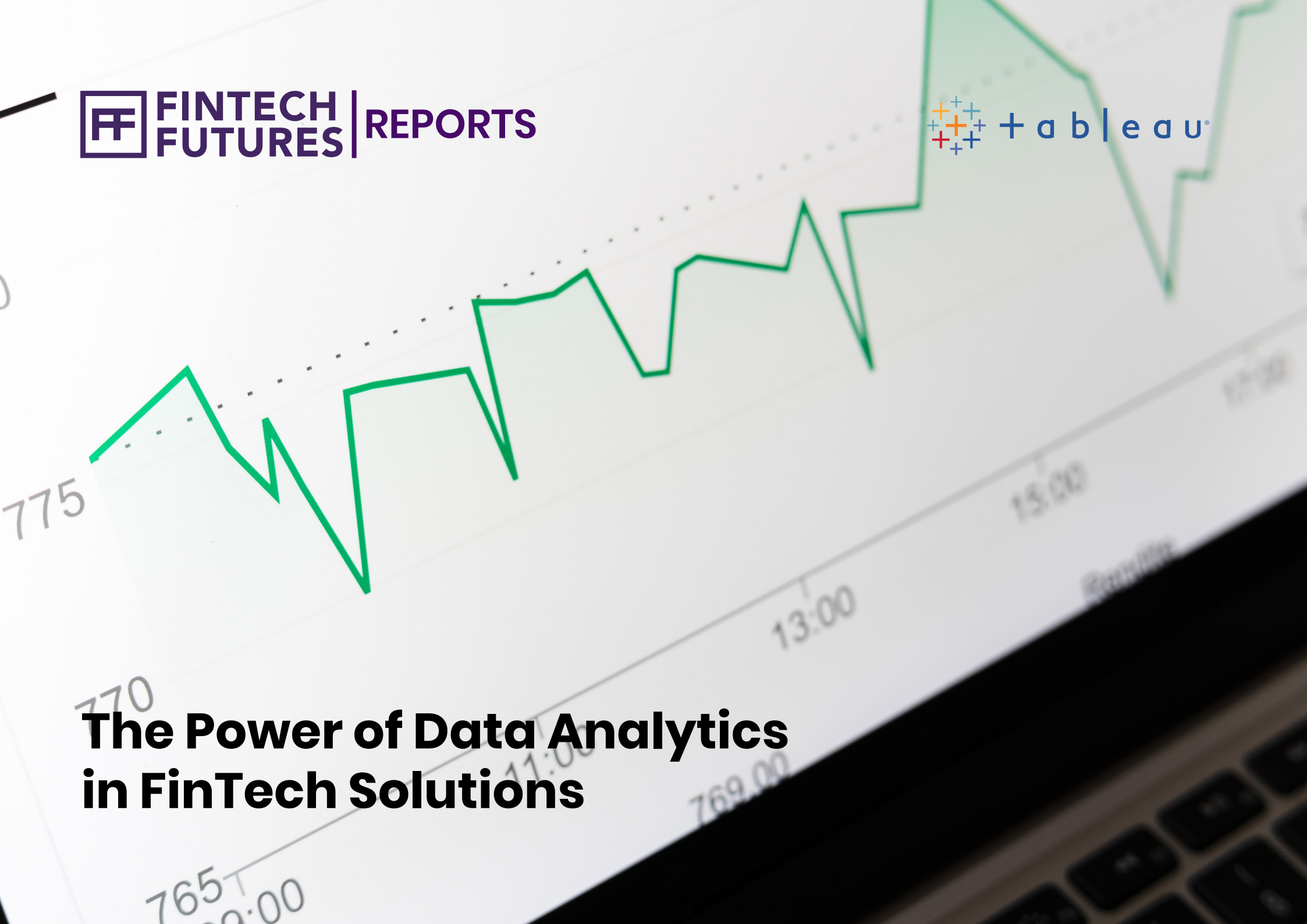

The Power of Data Analytics in FinTech Solutions

Introduction

Humankind has dealt with data since the first enterprising accountant in ancient Mesopotamia decided to log on a tablet who provided the most bushels of crops stored in his master's warehouse.

The data revolution in financial services is not on its way, it is already here. Yet, while financial institutions may be well acquainted with data, using that data to provide actionable insight, learn about trends, and drive innovation and growth is something altogether different.

In the 70s and 80s, banks relied on highly trained technical specialists to make sense of database modelling. This meant that only the very large players could undertake such analysis. Even then, they faced a series of external issues, including a competitive landscape, the commoditization of traditional service offerings, and a need for rapid time-to-market.

Now, institutions of all sizes in the marketplace can connect and analyse data to drive better business decisions. Presentation has become key, as visualisations and dashboards enable entry-level understanding to deeper analytical trends. What used to take weeks can now take moments.

What's more, better use of data analytics can create stories, which build statistics-driven and transparent cultures, create conversations about what matters, and frees people to do what they were hired to do.

The adoption rate for business intelligence and analytics software is on the rise. Advanced analytics use is also on the rise, as companies begin to interact with big data, seeking to operationalise findings from enormous data sets.

While big data analytics remains the realm of larger organisations, who still use it sparingly,[1] placing business intelligence and analytics at the centre of the business is set to

become a real differentiator as we move into a new decade. Customers are demanding greater integration with fintech and digital solutions, and that number will only grow. 66% of users aged under 25 use a digital fintech application regularly.[2]

But where does the market sit when it comes to the deployment of actionable data analytics platforms? What are their customers demanding from them when it comes to insights? Is it better to build, buy, or acquire? Is the cost of deployment, and the cost of time, keeping institutions from taking the plunge? Does a shift to data analytics in the cloud represent a solution to traditional bugbears? In the wake of remarkable and industry-shaking year in 2020, how have perceptions been moulded by digital acceleration?

This market survey and analysis seeks to answer some of those questions and provide a snapshot of the fintech industry's relationship with its data, and indeed the providers and partners through which that data is analysed.

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[1] http://barc-research.com/future-of-analytics-infographic

[2] https://www.mckinsey.com/industries/financial-services/our-insights/how-us-customers-attitudes-to-fintech-are-shifting-during-the-pandemic

The Need for Comprehensive Data Analytics

The importance of embedded data analytics has only grown over the past few years. Traditional intelligence platforms have suffered from a lack of accessibility, visualisation, or customisation. Users would have to leave their workflow to monitor analytics and data.

Toggling between two separate tools to perform analytics can take up as much as two hours of an employee's time per day.[3] Embedded analytics offers real-time, interactive data visualisation within an application, removing the need to switch between windows or programs.

The integration of business intelligence tools directly into software enables end users – whether customer, partner, supplier, or regulatory authority – to visualise trends and make smarter decisions. What's more, wrangling disparate data sets and forming insights can sit at the heart of a customer banking portal redesign.[4]

How important is having data analytics in your technology platform?

More than half (52%) of survey respondents believed integrating analytics within existing software or operations to be "very important" to future success, and a must-have for any technology solution they deploy. When including those who found it "important", the figure jumps to 86%. Just 8% of those asked ranked embedded analytics as a take-it-or-leave it option.

This need extends beyond institutional users and into the end clients. Financial institutions are just beginning to realise the potential of catering to different generations through tailored products and services. Understanding that consumer relationship at a microscopic level can be a key difference in the marketplace.

How often do your clients – prospective and existing – ask for embedded data analytics?

Our survey showed that consumer demands for analytics are only increasing. Two thirds (64%) of those asked said their clients and customers regularly requested increased analytics capabilities. Of those, 27% said their clients ask for these capabilities "very often".

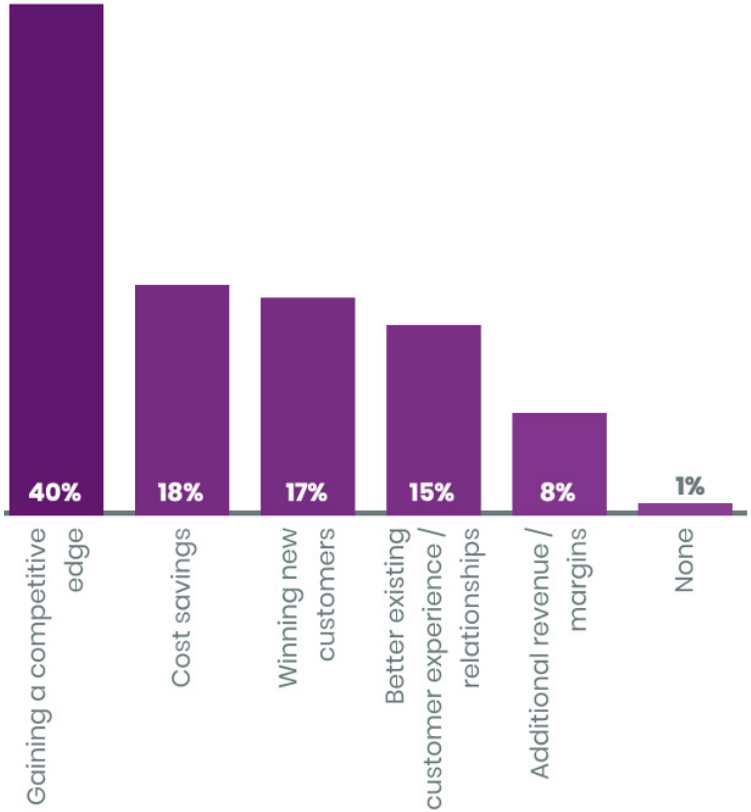
Winning new customers and clients ranked as a driver for adopting new technology, with 17% of those asked saying they saw it as a key benefit of a modern analytics capability. 15% of our audience also said better serving their existing customers was also a factor in the deployment of a new system.

[3] Nucleus Research, "Augmenting Intelligence with Embedded Analytics", 2016

[4] www.tableau.com/en-gb/solutions/customer/storytelling-big-data-wells-fargo

Despite this, the competitive nature of the industry shines through. The majority of those asked (40%) stated that the key advantage of deploying business intelligence suites would be gaining an edge over contemporaries and major rivals.

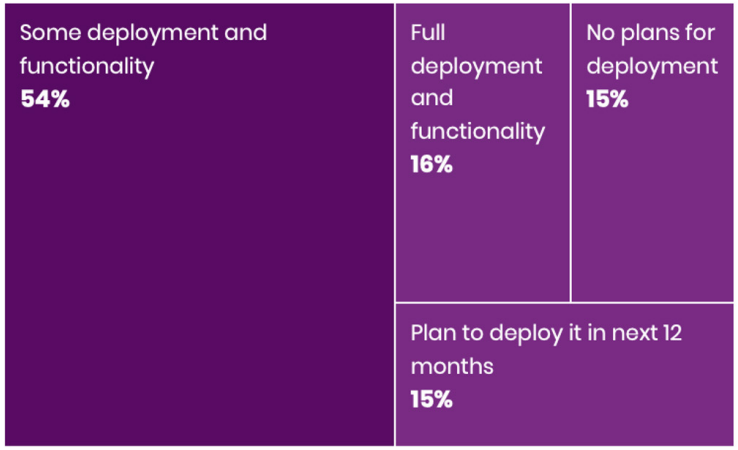
What benefits do you expect from your data analytics solution?



The State of Play: Deployment and Technology

While the need for greater analytical capability is great and growing among financial institutions, there can often exist a gulf between desire and deployment. Our respondents revealed that many in the industry are some way from full deployment of the data analytics they believe they are capable of.

How would you define your deployment of data analytics?

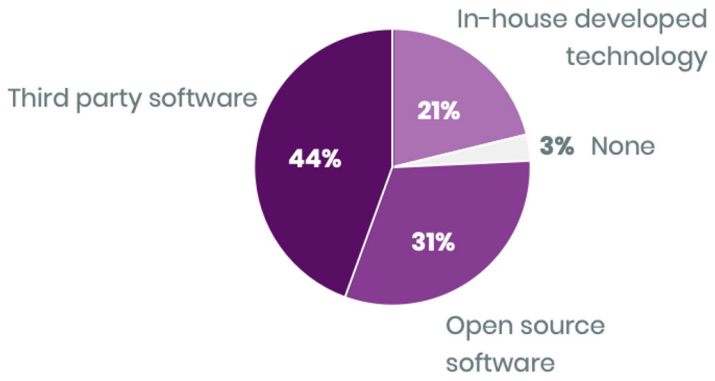


Among respondents, just 16% believed they had deployed analytical software to its full functionality. The great majority of those asked, at 54%, said they had come some way to delivering on that need for business intelligence, with a scattering of platforms and systems operational.

Of those without any systems in place for data analysis, 15% reported that they intended to deploy by the start of 2022, showing this year to be an important one for those still building platforms in-house, or seeking their preferred partner.

When it comes to the implementation of any new platform within a bank, the question always asked is "build, buy, partner, or acquire"? The creation of an in-house platform enables full control, but can result in soaring costs in both maintenance, development, and talent. While fintechs may have once threatened to eat the banks' lunch, increasingly a partnership model is being considered. Similarly, technology vendors are diversifying and revamping their offerings to provide more modular services.

What technology type do you use for your analytics?



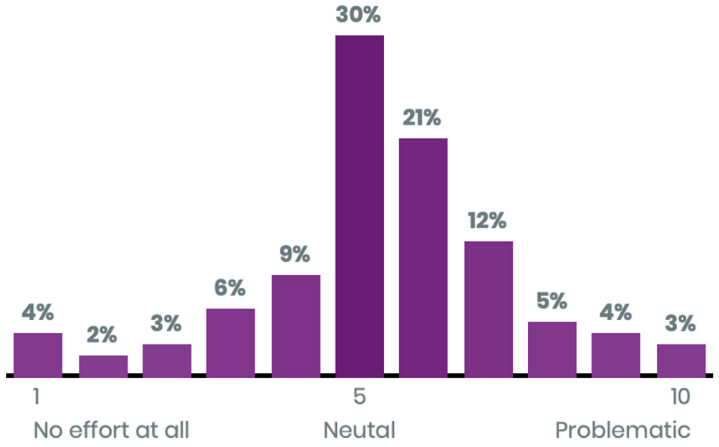
Our survey shows institutions are placing much of their trust in technology partners, with third party software (44%) ranked as the most common choice. Open source software (31%) also proved to be a popular choice for respondents, showing that potential cost savings still factor into technology choice. 22% of those we asked reported their systems were being developed and deployed by an in-house team.

Deployment Costs and Regulatory Change

Though the results of our survey have shown the desire for new business intelligence solutions, from end users and from institutions, we have also seen how the majority are still some way from full deployment of their new solutions.

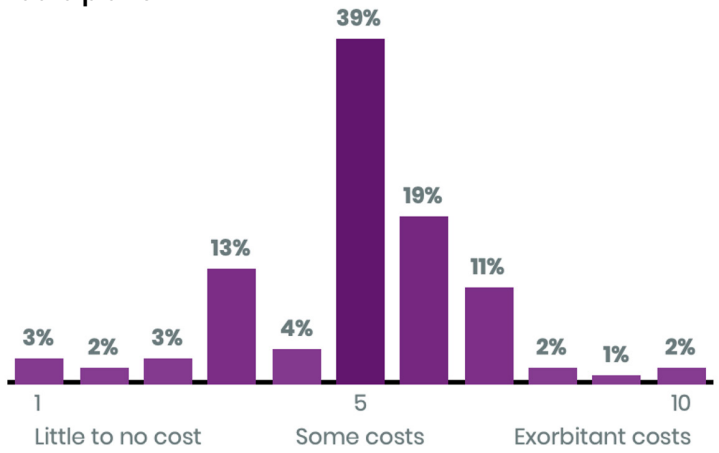
We asked what factors could be influencing the development, deployment, and engagement of data analytics among financial institutions and their clients. Is it a case of the time-to-market, and getting new consumers set up on the platform in time? Or perhaps one of the initial cash outlay and maintenance costs on a per-account basis?

How would you rank the time it takes to onboard new customers to your data platform?



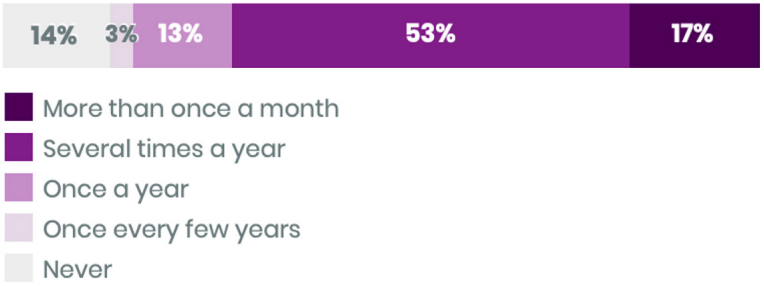
Gauging sentiment on a scale of one to ten, our survey found that while 30% of institutions are neutral on their go-live and onboarding times, 45% ranked timescales as slightly to very problematic. A further 12% found onboarding an extremely onerous task to complete.

How would you rank the cost of onboard new customers to your data platform?



The cost of onboarding also proved to be a significant factor for our audience. More than a third (35%) ranked their costs high for every customer onboarded, with 39% reporting average costs. 25% of those asked said their costs were small, with 3% of those reporting little no outlay per for their onboarding.

How often do you file a change request from clients or customers within your analytics suite?



Our audience was also quizzed on how often they are forced to submit change requests for their existing data platforms on behalf of clients or customers. We found that almost three quarters (70%) of financial institutions are filing requests several times a year or more, with 17% having to do so more than once a month. Just 14% of those asked have never had to file a request for their platform.

Customer attitudes and the need for digital systems have been accelerated over the past year, but even before 2020 regulatory requirements forced firms to think on their feet and seek ways to match up to data requirements and compliance. In Europe alone, diverging regulatory standards are expected as the United Kingdom completes its Brexit process and deploys its own version of the General Data Protection Regulation (GDPR).

How often are you required to meet regulatory and compliance needs in your jurisdiction?

Our survey showed financial institutions are still pivoting around the demands of their regulators, with 31% having to meet compliance needs several times a month, and just under half having to do so once every few months. Just 13% reported having to touch base with their regulator only once a year.

Conclusions

Looking at the results, we can see that there is a strong demand from fintech companies and financial institution for the deployment of embedded analytics. Firms are still in the middle of their journey towards better use of their data and are seeking a system which can provide an agile and flexible ability to adapt to customer needs.

Retaining an edge over the competition remains a key driver in the thinking of the fintech industry, while the speed at which they're seeking to deploy new functionalities means that third-party and open source software ranks as the best way to achieve that goal.

At the same time, our audience is seeking a platform that can offer an ability to abide by data governance changes now and into the future, and offer the modularity to meet requests from a variety of clients.

Financial institutions and fintechs of all sizes are looking to meet the challenges brough about by an acceleration in the digital landscape, and it seems embedded analytics solutions will rank as one of the most important weapons in their arsenal going forward.

About Tableau

Tableau helps people and organisations become more data-driven as the trusted leader in analytics. The Tableau platform provides the breadth and depth of capabilities to serve the needs of even the largest global enterprises in a seamless, integrated experience.

Tableau is designed to fit, not dictate your data strategy, and adapts to your environment with unmatched flexibility and choice, while meeting the toughest governance and security requirements. People love using Tableau because it is both powerful and intuitive—and offers a fundamentally different user experience by empowering people of all skill levels to explore and analyze data using visuals and natural language.

Tableau has become the standard language of analytics for modern business users and continues to lead the industry with the most passionate and engaged user community in analytics, a customer base with millions of users at tens of thousands of organizations, and a deep commitment to customer-focused innovation.

Tableau website: www.tableau.com

Tableau embedded analytics: www.tableau.com/en-gb/embedded-analytics

About FinTech Futures

FinTech Futures is a digital publishing platform for the worldwide fintech community – from the industry veterans to those just entering the space, and everyone in-between!

We provide daily news, in-depth analysis and expert commentary across a comprehensive range of areas.

Our broad readership and solid reputation, combined with in-depth coverage across fintech on a worldwide scale, makes us the leading resource for technology buyers, sellers, developers, integrators and other specialists across the sector.

Our website attracts nearly one million monthly page views and our daily newsletter is delivered to over 42,000 key decision-makers in the financial services and technology sectors. The brand is active across the key B2B social media platforms, with over 40,000 followers on Twitter @FinTech_Futures and over 20,000 members in our LinkedIn groups.

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