

BANK DATA

**Untapped high return
asset or a junk bond?**



The value is there but how banks use their data to provide actionable insights to others, not the data itself, is the key to realising this new value.

1.605	15.026	67.217	21.664	19.436	34.609	38.137	67.859	35.043	57.186	2.088	63.088	76.409	56.464	93.06	25.878	24.879	2.404	98.351	21.826	60.103	87.746	96.8	23.847	26.086	484	9.834	7.604	10.923	85.9	23.9	51.657	70.532	13.278	92.499	47.078	39.695	98.913	68.683	23.972	12.751	47.609	36.629	73.533	40.17	14.6
1.605	15.026	67.217	21.664	19.436	34.609	38.137	67.859	35.043	57.186	2.088	63.088	76.409	56.464	93.06	25.878	24.879	2.404	98.351	21.826	60.103	87.746	96.8	23.847	26.086	484	9.834	7.604	10.923	85.9	23.9	51.657	70.532	13.278	92.499	47.078	39.695	98.913	68.683	23.972	12.751	47.609	36.629	73.533	40.17	14.6
1.605	15.026	67.217	21.664	19.436	34.609	38.137	67.859	35.043	57.186	2.088	63.088	76.409	56.464	93.06	25.878	24.879	2.404	98.351	21.826	60.103	87.746	96.8	23.847	26.086	484	9.834	7.604	10.923	85.9	23.9	51.657	70.532	13.278	92.499	47.078	39.695	98.913	68.683	23.972	12.751	47.609	36.629	73.533	40.17	14.6
1.605	15.026	67.217	21.664	19.436	34.609	38.137	67.859	35.043	57.186	2.088	63.088	76.409	56.464	93.06	25.878	24.879	2.404	98.351	21.826	60.103	87.746	96.8	23.847	26.086	484	9.834	7.604	10.923	85.9	23.9	51.657	70.532	13.278	92.499	47.078	39.695	98.913	68.683	23.972	12.751	47.609	36.629	73.533	40.17	14.6
1.605	15.026	67.217	21.664	19.436	34.609	38.137	67.859	35.043	57.186	2.088	63.088	76.409	56.464	93.06	25.878	24.879	2.404	98.351	21.826	60.103	87.746	96.8	23.847	26.086	484	9.834	7.604	10.923	85.9	23.9	51.657	70.532	13.278	92.499	47.078	39.695	98.913	68.683	23.972	12.751	47.609	36.629	73.533	40.17	14.6
1.605	15.026	67.217	21.664	19.436	34.609	38.137	67.859	35.043	57.186	2.088	63.088	76.409	56.464	93.06	25.878	24.879	2.404	98.351	21.826	60.103	87.746	96.8	23.847	26.086	484	9.834	7.604	10.923	85.9	23.9	51.657	70.532	13.278	92.499	47.078	39.695	98.913	68.683	23.972	12.751	47.609	36.629	73.533	40.17	14.6
1.605	15.026	67.217	21.664	19.436	34.609	38.137	67.859	35.043	57.186	2.088	63.088	76.409	56.464	93.06	25.878	24.879	2.404	98.351	21.826	60.103	87.746	96.8	23.847	26.086	484	9.834	7.604	10.923	85.9	23.9	51.657	70.532	13.278	92.499	47.078	39.695	98.913	68.683	23.972	12.751	47.609	36.629	73.533	40.17	14.6
1.605	15.026	67.217	21.664	19.436	34.609	38.137	67.859	35.043	57.186	2.088	63.088	76.409	56.464	93.06	25.878	24.879	2.404	98.351	21.826	60.103	87.746	96.8	23.847	26.086	484	9.834	7.604	10.923	85.9	23.9	51.657	70.532	13.278	92.499	47.078	39.695	98.913	68.683	23.972	12.751	47.609	36.629	73.533	40.17	14.6
1.605	15.026	67.217	21.664	19.436	34.609	38.137	67.859	35.043	57.186	2.088	63.088	76.409	56.464	93																															

WHAT IS THE BURNING PLATFORM?



Banks must find new sources of revenue to mitigate the pressure on traditional margins. Many are looking at their data as a potentially rich new seam of value. It's easy to see why.

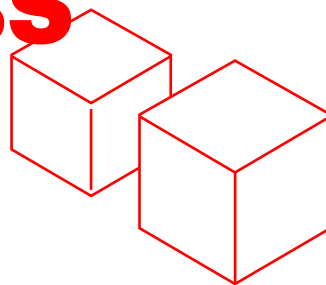
Estimates suggest that up to 30 percent¹ of traditional bank revenues could disappear over the next two decades thanks to the threat from new digital players, regulatory change and the adoption of cryptocurrencies powered by blockchain. One of the keys to replace or mitigate this revenue erosion is sitting under every bank's nose, untapped and undervalued: its data.

Precedent tells us the value is there. But it's how banks use their data to provide actionable insights to others, not the data itself, that is the key to realising this new revenue.

There are plenty of examples in the market that show how data can be turned into new revenue. Google generated around US\$90 billion in revenue last year, largely made up of advertising revenue which is powered by data insights. There are also over 15 big data analytics pure play firms now valued at over US\$1 billion². It is easy to see why the banks are taking note of success and considering how to monetise an untapped asset. More than 40 percent of global financial institutions are now investing in data insight offerings.³ However, most are focused on internal use and missing the opportunity to create new value through external monetisation. Some are however enjoying huge success.

One large US bank, for example, has added US\$1.2 billion in new annual revenues (1.5% of total annual revenue) by partnering/co-branding with merchants executing marketing campaigns powered by data insights to increase sales conversions. The bank raised its conversion rate on targeted marketing to 3.5 percent against an industry average of 0.4 percent. And this customer demand and associated value is not limited to certain geographies. Accenture research suggests that 70 percent of customers globally, are willing to trade more of their personal data for new services and discounts² in exchange for value.

HOW MUCH VALUE IS UP FOR GRABS AND WHAT ARE THE BUSINESS MODELS?



Global examples of cross industry players indicate that banks could expect a minimum uplift in existing revenue of 1-2%⁴ cross three external monetisation business models. These are: data merchant; insights provider and customer offers.

An additional internally-facing model can also generate significant value, the 'internal optimiser'. However, this is a business-as-usual activity that will continue to evolve, and many banks have already made significant progress in this space.

What defines each business model is described below:



DATA MERCHANT

As the name suggests, data merchants sell their data to third parties who, in turn, use it to generate and sell insights. This model has very low barriers to entry, but is arguably not maximising value and operating at the bottom of the data value chain. Typically, most banks are operating in this space in partnership with a local analytics player. While it creates a quick new revenue stream it also gives away value that could be realised internally.



INSIGHTS PROVIDER

Insights providers use their data to generate insights that customers will find useful. They may charge for these or offer them without charge. That decision rests on the assessment of the capabilities required and/or available to deliver insights that customers will be willing to pay for.



CUSTOMER OFFERS

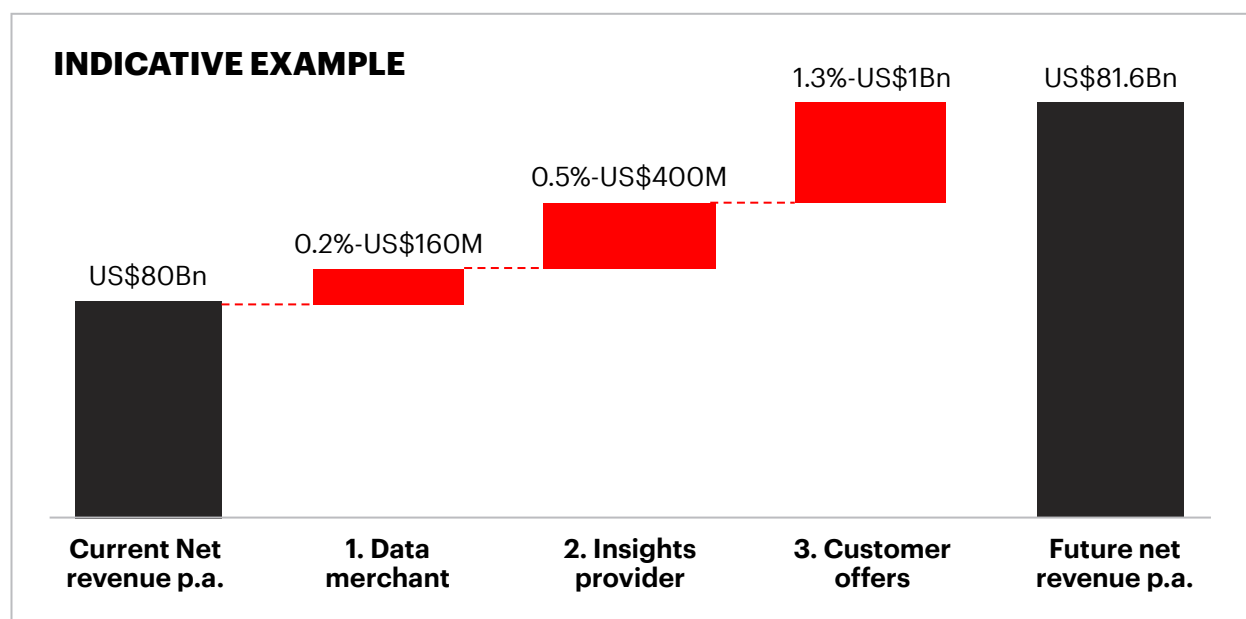
Customer offers enable third parties to target tailored marketing offers and promotions at tightly-defined customer segments. While potentially the highest value model of all, it also comes with the greatest degree of risk and requires sophisticated data capabilities to realise at scale.



INTERNAL OPTIMISER

Internal optimisers use their data to drive decision-making and unlock growth. By analysing their customer data, they can identify opportunities for cost optimisation, inform cross-sell / up-sell and drive pricing optimisation. It's a business-as-usual, no-regret play, which can generate significant returns. But it is also an ongoing assumed business as usual activity and is not maximising returns through 'external' monetisation. Keeping the access to data in-house means missing the chance to capitalise on synergies with third-parties that could unlock more value.

Potential 2% revenue uplift across three business models



Source: Accenture analysis







ALL RISKS CONSIDERED – STILL AN ATTRACTIVE PLAY?



**Banks are concerned about open banking.
It's true that it is likely to have an impact on banks'
ability to monetise their own data.**

An Accenture survey revealed that while baby boomers were relatively unenthusiastic about sharing their data with non-financial third parties, millennials were far more relaxed. And with millennials set to account for the largest customer segment by 2025⁴, it's clear that in the future banks are likely to face greater competition for providing valuable data-driven services. Accenture's consumer research shows that 41 percent of Generation Z would consider purchasing banking services from a digital provider such as Google or Amazon⁴. Nonetheless, a reduction in the scale of the opportunity still leaves a sizeable prize that banks should aim for – and a window of opportunity to act.

Globally, banks are considering factors as shown in the framework below to carefully consider the risks and threats to new revenue. However, considering all risks and their associated implications, the data commercialisation opportunity, if executed carefully, remains strong. It offers the opportunity of a minimum of 1-2% uplift in existing revenues through data commercialisation. Not to mention the impact to existing customer stickiness and increased share of wallet. We believe banks will opt to act on data commercialisation to remain relevant in the future ecosystem and to mitigate the decline in traditional banking revenues.

	FACTORS IMPACTING REVENUE RISK	DESCRIPTION	IMPACT SEVERITY
PRIMARY	Open Banking	Developments in regulatory directives such as PSD2 in Europe & Open Banking developments globally are acting as catalysts in driving current revenue decline as well as posing a direct risk to data commercialisation opportunities	
	Competition	GAFAA's and telcos are more progressed in their insights offering journey and they could capture majority market share	
SECONDARY	Data Privacy	Existing data privacy constraints could restrict business model execution	
	Data Quality	Only once organisations mobilise insights offering solutions do they realise the extend to which data quality is sufficient to unlock value	
	Partnerships	The highest value data insights use cases are derived from partnerships. Banks will have to enrich data sets and go to market with competitors to maximise value or risk losing revenue to competitors	
	Market Pricing	Global case studies indicate that competitors are giving away their data for free or at a very low cost which could drive a reduced market price	

Accenture framework and research

WHERE ARE BANKS TODAY?



Today, we see most banks focusing on two models: 'Internal Optimiser' and 'Data Merchant', which we believe is hugely limiting the value potential of their data assets. So why are they focusing on only these two?

An aversion to risk and a perceived lack of maturity and speed to market in the capabilities required to pursue more sophisticated data strategies. What's more, as banks are typically not good at monetising new business models they need to take inspiration from smaller players and other industries. For example, a major US telco launched a new analytics insights business in just three months through rapid prototyping of use cases and added US\$50Million in new revenue per annum.

WHAT INSIGHTS, WHAT CUSTOMERS AND AT WHAT PRICE (IF AT ALL)?



Banks' data is in fact, at face value, worth very little. As a raw, unprocessed commodity, it is likely to be as lucrative as a seam of coal left in the ground. And that, effectively, is where most data is.

Less than 0.5 percent of all data available is ever used or analysed⁵. The point is not that data *per se* has intrinsic value. The value comes from how banks are able to use their data and add value to it by creating insights or new business outcomes (such as higher returns on marketing spend, improved procurement spend or identification of specific customer behaviours) that they or others can profit from. But the path to achieve that destination successfully is complex and far from easy to navigate.

How can banks realise the more valuable data plays of becoming insights providers or creating customer offers with partners? These external data business models require them first to identify the specific insights offerings and customer segments that they want to target. They then need to develop or acquire the right capabilities to operationalise data-driven business models.

Typically, we see banks in the short term focusing on SMEs and corporates offering greater customer and market intelligence, spend analysis and performance benchmarks. To personal customers, they're offering intuitive applications that enable them to manage their personal finances and lifestyle choices more intelligently. In addition, providing customers with insights that enable them to improve how they run their business or personal lives can increase retention and hold or even expand market share. By way of illustration, 79 percent of consumers in North America perceive their banking relationships as purely transactional, so there's clearly significant opportunity to add value and strengthen ties through advice⁶.

The highest value use cases are arguably derived from banks partnering with third parties to enrich the data set. To bring this to life, the table below shows an example of how banks can help solve problems for customers and realise value through data-driven insights.

WHAT IS THE PROBLEM?	WHAT DATA?	WHAT INSIGHTS?
Small and medium-sized businesses are relatively immature in their harnessing of data to understand their key drivers for cost and customer insights informing actions that could drive value	<ul style="list-style-type: none"> • Banks transaction data and merchant level data • Open source third-party customer data (eg: government population records) • Telco geographic location data 	<p>Banks in partnership with third parties can help Subject Matter Expert (“SME”) customers to access automated insights such as:</p> <p>1. Customer and market: Insights into customer spending patterns, relevant industry and market trends to inform sales strategies and drive increased revenue</p> <p>2. Business performance: Insights into sales, costs, product performance and opportunities for optimisation</p>

Furthermore, banks will be able to expand beyond offering insights at a price and leverage data insights to proactively identify mortgage/ lending customers before the customer engage a bank. They can then partner with third parties and offer value-added services that customers needed through a home purchase such as setting up utilities or providing home moving services. This digital capability empowered by data can enable banks to improve their relationship with customers and, better yet, take a fee and realise revenue.

Whether customers will pay for insights is key. There are plenty of examples of banks offering them for free. However, these offerings are unsophisticated, not nuanced or actionable. In contrast, global examples see banks including Deutsche, iGaranti and BBVA already charging for the insights that they are able to gather for customers from enriched data sets. In fact, many have applied charges from day one of offering those services.

By understanding precisely what specific customer segments find useful and actionable – and comparing their findings to what others are offering in the market – these banks are generating considerable new revenues.

ARE BANKS BEST-PLACED TO PLAY IN THIS SPACE?

There is no doubt that banks' data can be used to generate valuable insights. But banks should be wary of looking at the valuations and revenues of the technology giants as an example and inspiration. Perhaps, owing to the huge valuations placed on 'data' businesses such as Google or Facebook, the equation that data equals value has become accepted. But that misperception arises because it misses a key insight.

Facebook and Google attract huge valuations not because of the amount of data at their disposal. Rather, it's their ability to translate data into unparalleled marketing accuracy for their customers. And it's that capacity to turn data into new revenue that will reward businesses. IDC predicts that by 2019, 40 percent of all IT projects will create new digital services that monetise data⁷. A key lesson that the banks can, however, take from the GAFAs is that they are working two angles within the data insights play: (1) the sale of insights to inform and deliver marketing and (2) marketing/conversion performance tracking. There is no reason that banks cannot offer both.

There's no reason to believe banks can't themselves become effective insight providers. But there are likely to be limits to this opportunity. Of course, customers will pay for insights – and the success of several multi-billion dollar organisations doing just that attests to that possibility. But banks need to question whether they are best suited to play in a space that is already hotly contested by other, well-established providers. Banks' brand valuations are underpinned by one primary factor, 'customer trust', and so they need to be cautious about how the business model is defined in a way that buffers the brand and avoids customers' perceiving that their data is being 'sold'.

The real value and potential for banks is much more likely to be found in using their data to help others create highly targeted, relevant and timely marketing offers.

WHAT ARE THE TANGIBLE, TARGETED & IMMEDIATE NEXT STEPS

As banks consider the way forward and target the 1-2% in revenue uplift and increase to existing customer stickiness, they do not need to restrict themselves to only one model for data monetisation.

Nor should they see the four models, as described above, as a linear progression, with proficiency in each leading naturally to the next. However, any new business model based on data does require careful attention to both the required capabilities (and where to find them) and key considerations about data management and governance.

Starting small and making the complex simple through targeted actions is the key to beginning to realise new revenue at pace. Global cross-industry examples suggest banks may take three key actions to get started:



Review the size of the opportunity and determine if this is an internal priority. If so, you will need to invest in establishing a small insights leadership team supported by a fit-for-purpose governance model.



Rapid prototyping of use cases to test with customers if they will pay and if they see real value from the insights.



Define a simple interim operating model and a plan for moving to a scaled future state that enables cross-organisation collaboration and the required roles and processes to support agile delivery. Case study trends and evaluation suggest that the optimal path to take is to move towards a more centralised model with an independent service line specifically for insights offering.

JOIN THE CONVERSATION



@AccentureStrat



www.linkedin.com/company/accenture-strategy

CONTACT THE AUTHORS



David Levi

Managing Director, Banking Lead,
Accenture Strategy, Africa & Asia Pacific
david.j.levi@accenture.com



Luke Solomou

Senior Manager, Accenture Strategy,
Australia and New Zealand
luke.solomou@accenture.com

CONTRIBUTOR



Craig Macdonald

Global Data Monetisation Lead,
Accenture Digital
craig.macdonald@accenture.com

REFERENCES

- 1 Accenture market research
- 2 <https://www.nanalyze.com/2016/04/14-big-data-companies-worth-1-billion-or-more/>
- 3 https://www.accenture.com/t20170125T114252Z__w__/us-en/_acnmedia/Accenture/next-gen-3/DandM-Global-Research-Study/Accenture-Banking-Global-Distribution-Marketing-Consumer-Study.pdf?la=en
- 4 Accenture's 'Beyond Digital: How can banks meet customer demands?' https://www.accenture.com/t20170125T114252Z__w__/us-en/_acnmedia/Accenture/next-gen-3/DandM-Global-Research-Study/Accenture-Banking-Global-Distribution-Marketing-Consumer-Study.pdf?la=en
- 5 <https://www.forbes.com/sites/bernardmarr/2015/09/30/big-data-20-mind-boggling-facts-everyone-must-read/#4475c04b17b1>
- 6 https://www.accenture.com/t20160609T222453__w__/us-en/_acnmedia/PDF-22/Accenture-2016-North-America-Consumer-Digital-Banking-Survey.pdf
- 7 IDC's 2017 CIO predictions: IT will monetize data, CIOs will recognise traditional IT limits: <https://www.itworldcanada.com/article/idcs-2017-cio-predictions-it-will-monetize-data-cios-will-recognize-traditional-it-limits/388537>

ABOUT ACCENTURE

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world's largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With approximately 435,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at **www.accenture.com**.

ABOUT ACCENTURE STRATEGY

Accenture Strategy operates at the intersection of business and technology. We bring together our capabilities in business, technology, operations and function strategy to help our clients envision and execute industry-specific strategies that support enterprise wide transformation. Our focus on issues related to digital disruption, competitiveness, global operating models, talent and leadership help drive both efficiencies and growth. For more information, follow **@AccentureStrat** or visit **www.accenture.com/strategy**.

Disclaimer: The contents of this material are for informational purposes only. Unless otherwise specified herein, the views and/ or findings expressed herein are Accenture's own.

Copyright © 2018 Accenture
All rights reserved.

Accenture, its logo, and
High Performance Delivered
are trademarks of Accenture.