

Reflection 38. Ask Questions That Matter

Many financial institutions struggle to respond to the opportunities of a data rich age. Focus is usually concentrated on scoring and managing risk in the loan portfolio, nevertheless, there are many strategic questions which must be answered.

Skills in analytics are developing slowly. Data is siloed making analytics more challenging. I was recently reading a book “Banking Analytics: How to Survive and Thrive” by George Haylett. He makes many important points. In the early chapters he discusses how to build capacity in data analytics. He discusses around:

1. Organisational readiness.
2. Engage, Engage, Engage.
3. Don't Run Before You Can Walk.
4. Measurement is Critical
5. Data and tech are not as important as engagement.

George notes that building capacity in data analytics requires practice, an institution must be ready to ask (and answer) many questions. In this blog, I explore questions I've needed to answer for my clients.

1. Where we make our money? It is astounding to me that many institutions cannot tell which of their products are profitable, which are losing money, which can be refined, and which should be killed. The information required for allocation-based costing, transaction volumes, values
2. Who we serve? I've worked with institutions that believed they served millions of customers. Analysing the data showed, huge volumes of dormant accounts, low value accounts with minimal activity and only tens of thousands of larger value, or regularly transacting accounts. This understanding immediately challenged norms within the institution, and required changes in marketing, products, and channels.
3. What financial solutions do our customers need? The digital revolution is encouraging financial institutions to think again about the financial services they provide and especially, how these financial solutions can be tailored to the lifestyle of their customers. Not every insight comes from quantitative data. Qualitative approaches build knowledge on lifestyles which can be used to build services. In a recent case of product development significant insights were gained through interviewing an industry association.
4. What partnerships do we need? Fortunately for financial institutions third parties aggregate and analyse external data, this is especially the case for credit scoring. Geospatial, geo-mapping data can be used to facilitate decision making for agricultural finance or for insurance products and services.
5. How should our services be delivered? A key component of product delivery is how services are delivered to our customers. This means using data to fine tune our delivery strategies. For example, around agent management, liquidity management. When using third parties to

deliver services, data is a key component of fraud detection and prevention. This means real time flagging of unusual transactions, recognising patterns in data, then designing in fraud prevention.

How do we gain knowledge? Data informs decisions, data is drawn from analysis of the financial institutions own data, field research, market intelligence, from statistics agencies, from third parties, from partnerships. But the data used, and the quantitative or qualitative methodology for gathering data critically depends upon the question asked.

So, ask questions, seek first to understand.

First Principles Consulting can help you develop research skills, and an innovation agenda. We can help you build your team to better understand, your customers their needs and perceptions.

If this reflection speaks to you... speak to me so that we can inspire change, together.

David Cracknell

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