

Banking Strategies

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DATA CLEANSING FOR EXPENSE CONTROL

Cleansing data can help an institution cut expenses and operate more efficiently.

When looking for expenses to cut, bankers often look to head count. But cleaning their institution's data may provide a less stressful and more beneficial alternative.

BY KYLE KITTLESON

When it comes time to cut expenses, the first impulse of many bank managers is to think head count. And of course, employee compensation — one of the largest expense items for any institution — is indeed an obvious target for cost savings. But there is another source of cost reduction that incurs far less pain for the institution and actually improves performance: data.

By that, we mean data that is corrupted or out-of-date. Every financial institution has lots of this kind of data stored in its computer memory banks where it sits, just waiting for the unwary marketer to attempt to use it. The typical result: the direct-mail piece is sent to the wrong address or the platform employee attempts to use the data inappropriately for a cross-sale.

And the ramifications can be even more extensive. An organization is only as good as its data. Improving the overall quality of this data improves the quality of decisions and processes while increasing both operational effectiveness and efficiency. Effective data management, quite simply,

generates a sustainable competitive advantage. By implementing data management programs, institutions can generate sound analytics, leverage insight, reduce spending and increase customer satisfaction.

A truly effective data quality solution subjects this customer data to a multi-phased process. First, the customer data is captured or collected. Then, data from multiple, disparate sources are combined or integrated and the data is examined to determine conformity. Next, the data is cleansed to correct inconsistencies and errors. Finally, the data is enriched with identity characteristics (psych-demographics, product purchase potential, risk of attrition, channel use propensities and Office of Foreign Assets Control scores) and market characteristics (econometric health indicators, regulatory compliance flags, predictive crime statistics and proximity to competitors). The result is quality data that is the foundation of operational excellence, regardless of the department using it.

Not that this is easy. Some bankers complain that they have to source too many systems, product lines and asset

classes to manage data effectively. Others express frustration with a lack of data entry standards, existing data inconsistencies and the absence of a central data governance owner.

Fortunately, best-in-class financial institutions have put in place a number of strategies to overcome these challenges, including a focus on customer data quality accountability (i.e. data stewards/data managers) and a cross-functional consensus on data definitions, goals and priorities. They have also made the choice to invest in data collection, profiling, cleansing and management tools.

Data quality should no longer be viewed as an item to get around to when you have time. Effective quality data management is an absolute necessity, not only for financial institution success but also for mission-critical applications and government compliance. After all, in the current environment, you can't afford to manage your resources inefficiently. ⊕

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