ORACLE
Financial Services

Managing Customer Profitability From Insight to Execution

CFO Perspective

Customer Profitability Management

The Banking Industry Today

There are more **millennial decision-makers** in the financial market. These new crop of clients are tech-savvy, believe in choice, and prefer personalized, niche services.

'Conduct costs' involving fines, legal bills and compensations have increased significantly.

Many banks suffer from **poor financial performance** because they are unable to operate on sustainable costs.

FinTech solutions potentially serve as substitutes for traditional banking solutions.

4 Challenges in Managing Profitability

Profitability & Pricing

- Bank pricing tends to be instinct-driven rather than data-driven.
- Banks lack clarity to determine which customers are profitable in the long-term, as well as on true revenue and cost drivers.

Customer Centricity & Data

- Most banks have not yet developed a single view of their customers that focuses on customer centricity and user experience.
- Customer data is not fully leveraged by banks, leading to a lack of understanding in customer value.

Operational Excellence & Discipline

- Analysis of processes are still mostly manual (Excel-based) with limited utilization of data visualization solutions.
- Rigid and cyclic reporting structures slow down banks' response to business needs.

Methodology & Alignment

- Funds transfer pricing and capital allocations are not fully implemented.
- Banks are not clear about the true costs across products lines.

CFOs want data-driven insight to drive strategy and profits

An unstable credit environment. The global financial market is in a flux with low growth and interest rates.

Despite different banks having a need for different fund costing structures, the central bank administers the same rule to everyone. This makes it harder for us to adjust individual pricing.

Irrational market patterns and pricing.

Our information systems are too slow. We are expected to see data in real-time but there is always a 'time gap' to process necessary data.

Data-driven performance expectations.

Research from KPMG indicates that in a challenging environment, many bank CEOs expect their CFOs to rise to the challenge by effectively leveraging data to enhance performance.

Role & Strategic Value of the CFO

85% of CEOs say **Applying Financial Data to Achieve Profitable Growth** is the greatest strategic value that a CFO brings.

70% of CEOs say **Technology has the Greatest Effect on the CFO's role** Yet less than half think they're good at leveraging it.

Where do CFOs need data?

Relationship pricing

- Cover an increase in consumer options, both in-house and from competitors
- Meet demand for personalisation
- Address account commodification
- Analyse profitability of banks' anchor products

Leveraging customer insight

- Deciding the best use of capital
- Calculating customers' lifetime value as good long-term investments
- Understand customer risk profiles
- Finding the cost/revenue ratio
- Determine profitability of customers
- Determine customer affordability

Case Study

Analysing a Change in Interest Income

Traditional Analysis

- CFO creates standard PowerPoint reporting pack
- Head of MR and analysts run manual analysis with Excel and SQL queries
- Spreadsheets and charts are sent to CFO
- CFO creates presentation on improving interest income

Advanced Analysis

- CFO analyses data platform
- Head of MR and analysts get alerts and isolate data in the platform
- CFO adds comments in real-time
- CFO receives detailed e-reports that can be monitored regularly

Breaking data silos

With most challenges faced by banks coming from an unprecedented increase in market and customer data, unified data solutions are a viable solution to both banks and CFOs' woes.

Unified data solutions help CFOs in the following areas:

- Costs of capital allocation
- Revenue recognition & allocation
- Customer profitability management
- Costs of risk allocation
- Funding cost allocation
- Capex management
- Activity-driven cost allocation

UNIFIED DATA & DATA ANALYTICS

Making Informed Profitability Decisions

Unified Data Platforms allow CFOs to Perform Risk Adjustment More Accurately.

Risk-adjusted performance management can increase shareholder value.

4 Areas of Impact

Operating Expenses
A typical starting point for most FSIs, unified data access allows CFOs to better understand processes and systems involved.

Operating Income
CFOs are better able to manage credit risk and liquidity, as well as evaluate prices to keep the bank operating at sustainable levels of income.

Capital
Better balance sheet and risk management.

Expectations
With better understanding of bank data, CFOs are able to project future performance and plan for the long term.

Source: KPMG

With the right analytics, you can optimize price and profitability, enhance performance and strengthen your customer relationships.