

The Future of the Decision Making Process for the Financial Services Industry

Introduction

Financial institutions (FIs) and wealth management firms need to be focused on analytics for good reason: Data analytics provide the deep level of business intelligence that firms require to identify the largest growth opportunities as well as their biggest risks. With the right tools and better benchmarks, managers have superior decision-making capabilities. Imagine knowing which clients are driving revenue growth, or which competitor is gaining momentum in the marketplace.

Armed with fresh insights about clients and competitors, managers are better able to identify and act on opportunities.

Despite these numerous advantages, both wealth managers and FIs have lagged in their use of analytics. They have not been able to access the deepest levels of business intelligence, because while data is sometimes abundant, access, normalization, and useability are hard to secure, meaning insights and analytics are limited.

This whitepaper will explore the current frontiers of data analytics and how it can support wealth managers and FIs. The decision-making process is rapidly evolving; the right tools combined with data are now able to answer key business questions, and even alert users to the questions they should be asking. That's the kind of advantage that organizations need to succeed today.

Answers Are Waiting — For Those Who Ask the Right Questions

Analytics users have a problem: They don't know what questions to ask of their data. Not for lack of questions — it's more an issue of narrowing the list down to what matters most, and of having access to valid benchmarks and competitor activities.

Advances in analytics and the rich data set incorporated into the Envestnet | Yodlee Financial Data Platform have created a revolutionary situation. The platform's capabilities, including its ability to easily combine data

from multiple sources, means users can use this data to answer — and in turn, to ask — more relevant questions than they have been used to in the past. Therefore, decision makers and managers need to take a step back and think about which questions truly drive ROI and which could make them more successful, such as:

- How are my key performance indicators trending?
- What are my assets, revenues, new clients, lost clients, and revenue growth rates?
- Is my business gaining or losing momentum?
- How is my organization performing against its peers?
- What are my estimated revenues?
- How is my organization performing as a whole?
- Who are key contributors to, or detractors from, my organization's performance?
- Where are my organization's opportunities for growth?
- What is my organization's average wallet share percentage compared to its peers?
- Is my organization focused on the right opportunities?

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Sound Answers Require the Right Data

Most conventional analytics can't answer these hard questions because the right data isn't available; the data is almost always firm-specific and does not include information about competitors or about clients' activities outside of the firm. Plus, any outside data that might be obtained is hard to clean in terms of removing data that is incorrect, duplicative or improperly formatted, and even harder to import using conventional systems.

These data problems include:

- **Relying on firm-specific data only.** Finding a deep level of business intelligence that is specific to your firm is difficult, expensive, and time-consuming. Often it involves manually updating spreadsheets from various data systems — a process that is prone to error and may become unreliable as people who know the process leave the organization.
- **Inability to import outside data.** Firms and advisors can't add data to reports, which limits the value of the reporting. Again, businesses may resort to the labor-intensive work of exporting report data into a spreadsheet and manually pairing it with market data.
- **Difficulty adapting conventional systems.** Report data comes directly from book and record data, which means it cannot be altered for analytics purposes without causing system issues.

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Improving the Data Analytics Experience

The third set of problems confronting would-be analytics users centers on the experience of accessing the data they can use. This information may be warehoused and hard to access and download. In addition, analysis based on it may be complicated to generate, hard to visualize and not tailored to the individual user. The result: lost time and opportunity.

The basic problems with the experience of using data include:

- Business leaders don't have the time to deeply focus on analytics.
- As consumers of applications and data, users have come to expect the same constant, near real-time access to data and insights they enjoy from other systems, and it just isn't available this way.
- Drawing the insights that can be extracted from the data is hard, and turning it into actionable ideas and clear next steps is even harder.
- Processes break down easily and often depend on manual inputs.

Taken together, these limitations mean that firms lack access to the deepest levels of business intelligence. Managers can't use crucial benchmarks or information about the true activities of competitors, which makes it harder for them to identify risks and opportunities.

Going Beyond These Limitations

Investnet | Yodlee Analytics for Financial Institutions offers solutions to these widespread problems of limited data or inadequate analytics. The platform helps financial institutions to apply advanced analytics tools to a comprehensive set of data to uncover key business advantages and act on opportunities. Investnet | Yodlee's data set is remarkably broad, with financial data on consumers' credit cards, transactions, investment accounts, mortgages and loans, and bank accounts — data that goes well beyond the information available inside a single firm. Investnet | Yodlee then applies data enrichment, machine learning, and data intelligence tools to make the data easy to understand and accessible to users.

Because data can easily be buried in page after page of charts, Investnet | Yodlee's internal experts work with clients to identify the key questions that need to be answered. The Investnet | Yodlee Data Analytics for Financial Institutions solution is very customizable and can be tailored to each user's role. Hence the head of marketing may see one visualization

and data set, and a bank manager another. The analytics therefore can answer questions for different roles in the company, all using the same data set.

The solution's ability to solve these problems stems from three underlying characteristics:

- 1. The size of the data set.** Investnet | Yodlee has billions of transaction from tens of millions of consumers in aggregated data across banking, credit and wealth management. This has led to a uniquely deep and broad data set that no other data aggregator can offer.
- 2. The use of data science to make the data useful.** Investnet | Yodlee uses transaction data enrichment processes: It cleans the data and applies machine learning, allowing the data to be categorized and interpreted.
- 3. Domain experts in data analytics. Domain experts in data analytics for credit cards,** banking and wealth management who understand the key questions in these fields and work to make their analytics results uniquely applicable to these spaces.

Putting these three capabilities together makes Investnet | Yodlee's Data Analytics for Financial Institutions unparalleled. The unique mix of comprehensive data, deep industry knowledge and analytics tools provides clients with superior decision-making capabilities.

Analytics That Help Users Ask the Right Questions

Having the right data is only part of what businesspeople need; they also benefit from help with formulating questions that will give them the insights they need. Envestnet | Yodlee's Data Analytics for Financial Institutions supports them by creating on-demand music service-type "playlists" of top questions.

For example, a user interested in competitors could query the Envestnet | Yodlee Data Analytics solution to identify the most important questions to ask. In this case, those might be:

- Which competitor is gaining wallet share?
- Which competitor has the most successful products?
- Which competitor has the most financial resources?

The platform would then organize these questions into a "playlist" for the user, who could return to it repeatedly for fresh answers about the activities of competitors.

How Advanced Analytics and Better Data Work for Financial Institutions and Wealth Management

Analytics using the right data are now able to answer key business questions, enabling actionable decisions. For FIs, Envestnet | Yodlee Data Analytics aggregates data from multiple sources rather than just using internal data from a single FI. Consumers who use Envestnet | Yodlee's Personal Financial Wellness tools (and who have granted permission to share this data, on condition that their data is de-identified) are one key source: The data set includes all their financial information, including bank accounts, credit card spending, bank loans, CDs and more. FIs can see spending by account, as well as their consumers' relationships with competitors.

Suppose a bank executive wants to know more about usage of the bank's credit cards. The executive can see how customers are using a competitor's credit card in comparison to their own, and might see, for example, that consumers who hold both cards use a competitor's card primarily for travel instead of their bank's offering. A few more questions can reveal the reason, such as less rich mileage rewards program from the less-favored card. That's the line of questioning that can result in a smart business decision: changing a mileage rewards program in response.

The same could be done with investment accounts. A bank might see that consumers have recently opened \$35 billion in accounts with competitors, a sizeable opportunity. But the analytics provides more detailed information:

\$10 billion of these are in 401(k)s which are hard to move, so the real opportunity is in the remaining taxable accounts, an actionable insight. The same sort of exercise could be undertaken with mortgages, loans, and auto loans.

In all these cases, by using Envestnet | Yodlee Data Analytics for Financial Institutions, the executive in question is able to identify cross-sale opportunities to gain wallet share.

In wealth management, Envestnet | Yodlee's Data Analytics for Financial Institutions offers 1,000 different views answering

more than 120 core questions. These questions range from the simple, such as "What are my year-to-date IRA sales?" to the complex, such as "What are my asset flow forecasts?" All these answers go into a list or report that can be pulled into a CRM system, making them easily accessible.

For example, wealth managers could dig more deeply into a point of constant interest: cash balances that clients aren't deploying into the market. The analytics platform provides a "question playlist" for the query, "clients who are holding a lot of cash." The answers would allow wealth managers to drill into individual clients accounts to mine

potential cross-selling opportunities. Similar question playlists — and answers — can be created for home equity lines of credit or lending products.

Ultimately, the analytics platform and the reports it generates allow wealth managers to see how clients are using different services from different competitors. This leads to better financial planning for the clients and identifies where opportunities might also carry outsized risks.

From answering basic financial questions to providing prescriptive intelligence, analytics can provide FIs and wealth management firms with a customized way of providing financial solutions to the individuals they work with.

Using Envestnet | Yodlee Data Analytics for Financial Institutions Is a Unique Differentiator

"Big data" is still big news, but the Envestnet | Yodlee solution — and difference — stems from too many FIs and wealth management firms not having the basic data they need to analyze their own businesses; Envestnet | Yodlee provides this insight. And where most companies' data is disaggregated and siloed, the Envestnet | Yodlee solution allows for easy importation of data from disparate sources. Even more revolutionary: Envestnet | Yodlee can clean the data and use artificial intelligence to make it more accessible, relevant, and meaningful. In contrast, many companies may have an existing data warehouse strategy,

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but face difficulties in accessing the data or enriching it in terms of adding context and meaning to it so it is not confusing. They can't answer — or even ask — the really important questions.

Envestnet | Yodlee Data Analytics for Financial Institutions could be described as a “data analytics sandbox.” The platform allows users to bring as much data as they want from any source into one place and ask the questions they want. The answers are tailored to the individual user, featuring intuitive visualizations.

Current usage is heavily oriented around traditional analytics and reporting, but just around the corner is “socialization” of analytics. This advance will make it possible for many more people in a company to make decisions based on good data and analytics.

Adding to the challenges of gaining insight to data is the problem of the internal-only view. If and when companies are able to get to the point of insight, those insights are limited to how they are doing “in a vacuum”. This internal view does not include benchmarking analytics which can answer the more important question, how are we doing versus our market, our peers, and our competitors.

Someday the same benchmarking analytics could be used to help consumers make better decisions as well; benchmarking of consumer behavior is a natural extension of financial wellness applications. For example, consumers would be interested to see how they are doing compared to their peers along various financial metrics such as, age, wealth, and spending behaviors, which could lead to improved decision making and “healthier” finances.

In summary, Envestnet | Yodlee can help with solutions for pain points that limit the potential for business success at FIs and wealth management firms. Firms that seize the opportunity to get more from their own data — and get access to more and better data — will be able to:

Through Envestnet | Yodlee Data Analytics for Financial Institutions, users can gain wallet share, cross-sell, and develop a more holistic picture of their customers, competitors, and ultimately their own businesses.

- Identify key business drivers that enable business growth
- Gather and use actionable data to quickly identify and address opportunities/risks
- Combine data analytics operations with a massive data platform
- Socialize the answers to key business questions easily within the organization to capture qualified opportunities
- Gain the information needed to monitor competitors
- Provide meaningful benchmark data points

- Eliminate manual data collection and reduce risk in reaching critical decisions
- Optimize decision-making while ensuring compliance with regulation and client mandates
- Identify weak points in the business
- Get answers to business questions anytime, anywhere, and on any device, delivering a user-friendly experience

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