Banking on IT for Innovation and Leadership in Financial Services.

How Intelligent Data Management Drives the Best Outcomes in Compliance, Customer Satisfaction and Innovation

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Data is Key for the Financial Institution of the Future

Did you know that 75% of banks believe that fintech and challenger banks pose more of a threat today than they did a year ago?[1]

Banking consumers today have an unprecedented array of choices, with innovative options flooding the market from new, cloud-native competitors. To remain relevant, financial institutions must evolve beyond being good financial stewards for their customers — they must also spark innovation and create competitive advantages. To do so, they must put their data to work, intelligently collecting, storing, accessing, analyzing and monetizing it.

Talk to the chief data officer of any large bank, and you'll find an advocate for building new data products that can accelerate innovation, control risks and costs, streamline decision-making and drive improved business outcomes. Across industries, information technology — the strategic use of technology to manage and make use of data — is the main driving factor for improving customer engagement and loyalty, operational efficiency and productivity.

Too often, however, financial organizations fail to harness the power of data. It can be an overwhelming challenge to begin building a holistic data solution that can elevate their business to compete with the competition. At Hitachi Vantara, we work with these organizations to ensure that they don't squander data — one of their most valuable business assets.

The good news is that, with the right technology, financial institutions can eliminate the obstacles to data management and create an IT ecosystem that drives business and revenue growth.

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1   Kieran Hines and Gareth Lodge, "IT Strategy and Priorities in Retail Banking, 2022," report published by Celent, March 25, 2022, page 11..
2   Ibid, page 13.

Top Strategic IT Investment Drivers in Retail Banking

According to a 2022 Celent research report, banks today are focusing their IT investments on driving revenue, with 56% of banks stating that improving the customer experience and engagement is one of their top three IT priorities, along with growing customer revenue and wallet share (47%).

That said, compliance remains the most-cited number 1 priority for the industry, with the largest percentage of banks (21%) citing compliance as their single most important driver of IT investment.[2]

Trends Driving Transformation in Financial Services

At first glance, regulatory compliance, IT security, customized service delivery, operational efficiencies and the rise of the distributed workforce might appear to be unrelated. But for financial institutions, they are connected by a common thread: Each depends on the quality, speed and reliability of data management. As banks strive to keep pace with all of these changes, they must become adept at unlocking the value of their data assets.

58% of banks say that they face more challenges to winning and retaining customers than they did 12 months ago.[3]

With traditional and upstart financial institutions vying for their business, customers can be easily swayed to move their accounts. They may lose confidence following a ransomware attack or data breach, or they may simply prefer the user interface of another bank's website or mobile application. In both of these instances, the customer may believe that their bank's IT strategy has failed to keep up with the times. Upgrading to intelligent data operations is the only way to counter this perception and retain customer confidence and loyalty.
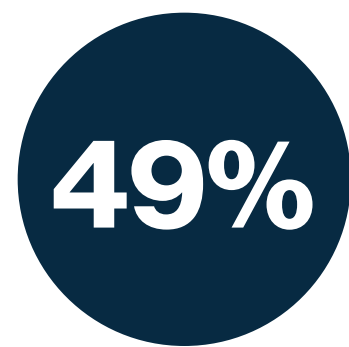
3   Ibid, page 12.
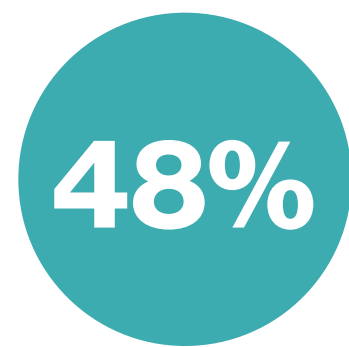
Latest Trends in Tech Tactics

The banking industry has seen some significant changes in specific technology priorities. According to the Celent report, the top four technology priorities are:
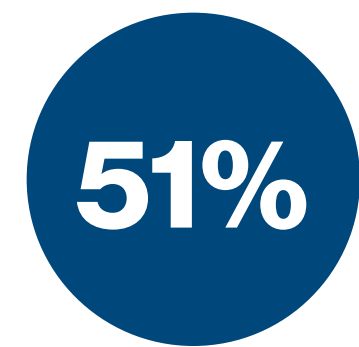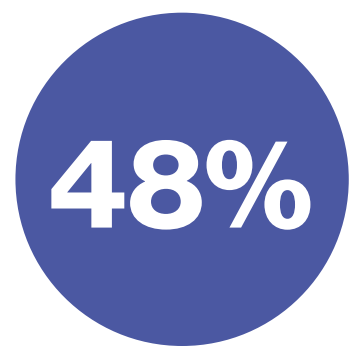
51%
Identity proofing/
digital identity

49%
Open banking

48%
Migrating to public
cloud services

48%
Personalization of the
customer experience[4]

Despite the ever-evolving demands imposed by account holders, the key driver for retaining customer confidence remains constant — it's how well a financial institution can identify, and protect customers' privacy and data. With an intelligent data management operation, banks can minimize their customers' exposure to identity theft and data breaches and promote a scalable credence of faith.

The data protection challenge increases in complexity as the financial services universe expands. While open banking, blockchain, cryptocurrency and other trends in the sector can offer new lines of business for financial institutions, they also open the door to third-party access to customer data. Migration to the cloud and increased reliance on a distributed workforce add another layer of complexity: It's not just who is accessing data, but which devices they are using when they enter or retrieve data. The complexity of managing unstructured data — which may originate from home offices, remote locations or business partners' premises — throughout its life cycle has created the need for more sophisticated data protection solutions.

4   Ibid, page 19.
5   Ibid, pages 14 and 16.

IT Spending is on the Rise

Financial institutions worldwide are accelerating their IT spending. Data from the Celent report confirms that in 2022, retail bank IT budgets went up an average of 4.4%. What's more, that percentage is expected to increase by a further 5.2% in 2023. [5]

While an increase in IT spending across the industry is encouraging, it's not enough to simply understand the need to invest in IT. Banks must also understand how to invest and integrate their new data resources within their existing IT architecture to produce optimal results.

Past Celent surveys have documented that financial institutions have been aware for years that they need to develop sophisticated, market-savvy data strategies. Many even have the will to adapt and the budget allocated to do so. What's missing is collaboration with a team that has the technology and industry expertise necessary to deliver a return on those investments.

A Partner for the Whole Journey

It's a steep challenge to identify the technologies that will enable your financial institution to develop new revenue streams and capitalize on industry trends. By working with Hitachi, you can develop advanced data analytics, artificial intelligence (AI) and machine learning (ML) solutions that monetize your data assets and provide new insights into each customer's interests, risk tolerance levels and financial goals. From a competitive perspective, these are imperative moves that protect your financial institution against loss of market share — and the perception that your organization has failed to adopt today's advanced technology.

Approach Your Data Journey With Confidence

Your financial institution needs a 360-degree view of its data so you can act on information swiftly and with surgical precision. The paradox is that while the outcome — often referred to as a data fabric — simplifies data management and oversight, the process of creating one presents a degree of complexity that many financial institutions find overwhelming.

An experienced technology partner can be invaluable in navigating those complexities. For example, a partner who has real-world data experience knows that it's helpful to segment the fabric into its three main components: data integration, data processing and data governance.

What is a Data Fabric?

A data fabric weaves together the vast spectrum of data capabilities, including storage, integration, cataloging and analytics to produce a common view of all data across your enterprise. A data fabric allows you to centralize your metadata and use it to inform decision-making. In financial institutions, it supports best practices in areas such as governance, risk management, operational efficiency and customer interactions that build loyalty.

When it comes to data integration, cloud solutions make it possible to collect, access and protect the security of data. Equally important, they promote interoperability of business and data applications that otherwise might exist in a patchwork of technologies that cross-communicate inefficiently — or not at all.

Data integration extends your reach beyond your internal organization to facilitate data collection and information sharing with vendors, strategic partners and customers. To be fully useful to a financial institution, a data management solution must be able to seamlessly adapt and scale as the bank expands its operations or introduces innovations.

76% of banks globally plan to migrate more workloads to the public cloud.[6]

Once the system for collecting, housing, retrieving and analyzing data is fully cloud-based, data processing capabilities allow you to automate discovery and data cataloging so you can quickly access data —on-premises or remotely. This can eliminate human error for greater data accuracy. Plus, when your bank employees gain greater confidence in the data at their disposal, they can customize and personalize their interactions with customers, improving the bank's credibility in the public eye.

Improved internal and external trust brings banks new opportunities to process and monetize their data. Fintech is one of the dominant areas of focus for the industry's largest banks, and the sector as a whole is eager to tap into the revenue potential of AI and ML. However, models and analytics are only as good as the data input into the equation, which is why data integrity plays a leading role.

Without data integrity, financial institutions struggle to realize the potential for monetization. Banks need intelligent data operations to leverage those strategies into top-line and bottom-line performance. Data integrity is also key for improving processes, establishing stronger efficiencies and developing sustainable productivity gains.

- **Data integration** is a strategy for compiling and centralizing all the data your financial institution has accumulated over time in disconnected silos and converting it into a unified and infinitely more useful source of information.

- **Data processing** is the translation of data into usable information, by means of such operations as classification and transformation.

- **Data governance** is the application of policies, standards and metrics to ensure that data is of the highest quality throughout its life cycle, supports the business objectives of the organization and meets compliance requirements.

Slightly less than half of banks surveyed are prioritizing advanced data analytics, AI, ML and data management.[7]

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6   Ibid, page 21.
7   Ibid, page 19.

Focusing on long-term sustainable enhancements is key because these changes don't materialize overnight. They typically emerge incrementally and begin making an impact as the financial institution adopts its cloud strategy and brings it online. Navigating through that initial phase also enables banks to maximize returns on the investments they've already made in data management tools and technologies.

Intelligent data operations are also key in data governance — especially when it comes to managing data in highly regulated sectors such as banking. Whether the issue is ensuring compliance across your business or simply providing thorough oversight of day-to-day operations, you must have access to the right data at the right time. Without the right data, you may find it difficult or impossible to make informed decisions and act upon them.

There's also the question of what information you can or must share publicly — and what sensitive data must be protected by privacy controls. Hitachi's advanced AI and ML

algorithms have been developed with a keen eye for what data really means. We work with you to hone the access control policies your financial institution needs to ensure that data can be retrieved only by people with clearance to review it.

This technological capability prevents delays in getting critical information to decision-makers. At the same time, it reduces the risk of ransomware or other cyberattacks by limiting the points of access to your system and its data. Often, malware is introduced into an IT ecosystem initially through human error; therefore, reducing the number of people with access to specific data lowers the overall exposure risk.

At the same time, stringent protocols for determining who does (and does not) have permission to retrieve data protects the business against the risk of violating governance standards or regulatory compliance requirements.

41%

of banks ranked cyber security enhancements as a technology priority.[8]

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8   Ibid.

Your Partner for Data Integration, Processing and Governance

Hitachi has the tools that can help you manage your conversion to the cloud while ensuring that your operations and customer interactions continue without interruption. Because our solutions can connect to hundreds of data sources, we simplify the process of moving data located on-premises or in data pipelines to the cloud. This allows you to retain archival and legacy information still valuable to your business. We provide you with access to a network of experts in infrastructure, reference architectures and software. Together, we accelerate your cloud transition and partner with you to achieve the outcomes you have targeted.

Hitachi Solutions for Data Support the Best Business Outcomes

As a global leader in serving the banking and financial services sector, we deliver 360-degree technology solutions that support expanded and diversified revenue streams, enhanced customer experience and reduced compliance costs. Actionable data, delivered securely to the right people at the right time, is the key to achieving these objectives. Our solutions also reduce audit risk and protect brands by leveraging data fingerprinting, accurate cataloging, governance compliance and other key digital identity safeguards.

With Hitachi solutions that provide end-to-end data management optimization, you can:

1 **Accelerate innovation by consolidating, integrating and optimizing your data**

Data collection and mining are more sophisticated than ever, and the Internet of Things (IoT) gives you access to data generated by increasingly diverse sources. Used properly and to its full potential, that data converts to business value and competitive advantage.

Lumada DataOps accelerates digital innovation by storing data and modelizing your use cases so you can quickly apply them to various initiatives. This solution provides a cloud-based platform for using AI and other technology to visualize and analyze real-world data, enabling you to deliver swifter, more on-target responses even during periods of significant change.

2 **Support rapid, accurate decision-making by democratizing your data**

Big data can be as overwhelming as it is powerful. Businesses need the right tools to convert all that information into actionable insights — and a means of providing secure access to that data so it can be used by the right people at the right time.

With the Hitachi Pentaho data integration and business analytics platform, you gain access to business intelligence tools, including interactive charts and dashboards, and big data expertise, as well as secure access to large, complex datasets on demand. Pentaho delivers impressive results, including significant, quantifiable improvements in data analytics operations and data quality and consistency, along with a reduction in data operations costs.

With Hitachi solutions that provide end-to-end data management optimization, you can:

3 **Easily manage, secure and govern all of your data with a modern digital platform**

A significant task for today's financial institutions is managing large volumes of data, seamlessly responding to application demands and enabling wide data accessibility while satisfying compliance requirements. To navigate these challenges, you need a modern digital platform that supports multiple use cases, including advanced data analytics, AI and ML.

Hitachi Content Platform is a modern object store that enables massive scaling. With this powerful platform, you can grow your cloud storage as much as you need, allowing you to easily manage your data to drive your innovation goals — such as open banking. The platform's advanced intelligence and accelerated performance employ advanced metadata features and deliver low latency and high throughput for your critical applications, all while its strong security mitigates data exposure and theft risks.

4 **Access your data faster and more cost-effectively**

To compete in today's market, you need faster access to more data at a lower cost. Conventional wisdom says it's not possible to deliver all three benefits in one package. Hitachi Content Software for File proves that it is — and delivers the winning solution for accessing customer and market data and converting it to a working competitive advantage.

Banking applications are processing more data than ever before. Without the right infrastructure in place, it's impossible to tap into the value of that data and use AI, ML and analytics to make the most of it. Hitachi Content Software for File enables processing speeds that are three times faster than local flash drives. Its capacity easily accommodates enterprise banking datasets and seamlessly handles large and small files. It relies on a single storage platform, so it eliminates the need for silos and multiple copies, which means more data processing power and speed at a more affordable cost.

Rabobank Slashes Compliance Discovery Search Time from Hours to Minutes

Challenges

Headquartered in Utrecht, Netherlands, Rabobank serves more than 9.1 million customers in 38 countries and manages €674 billion in assets. With this geographic range and scope of operations, the financial institution is obligated to monitor regulatory requirements imposed by the governments of each country in which it does business. It was essential for Rabobank's compliance teams to have tools that facilitated practical, flexible work on regulatory investigations.

Its previous system fell short of that standard, requiring compliance team members to keep track of information derived from primary sources, third parties and even backup tapes. The discovery process was time- and resource-intensive and burdened by a high risk of errors. Rabobank sought a solution that would collect and house these digital assets in a single, centralized dataset that enabled greater flexibility and collaboration. Its data management requirements included higher levels of access control and stronger audit trails.

Outcomes

Working in partnership, Hitachi and Rabobank customized the Hitachi Content Platform to create an "ingest and search" data platform to transform compliance operations. The project was designed to create a system capable of automatically collating, securing and indexing structured and unstructured data across the business, which means all the information is searchable from the moment it enters the system. Data segregation capabilities make it possible to separate information by source, which simplifies compliance with access and retention policies in each jurisdiction.

The new solution proved to be a game-changer. It features an easy-to-use web-based interface that not only speeds and simplifies data access but also assures repeatability in analysis results. The data source and life cycle are fully auditable, which facilitates control and structured access to large volumes of nonstructured communication data for more reliable compliance performance. This empowers the compliance teams to work more accurately and confidently and, at the same time, under considerably less stress.

As the regulatory landscape continues to evolve, the bank is confident that it now meets the highest standard for compliance investigations in the financial services sector and that it is equipped to navigate future changes swiftly and comprehensively.

Manage Your Data Intelligently to Meet Your Business Objectives

You have the data to realize your goals. We have the tools to help you use it.

With ongoing disruption in the sector, you can't afford to misunderstand your customers' behavior. Hitachi's end-to-end suite of solutions provide the tools you need to reveal actionable customer insights.

Hitachi Vantara offers the technologies and expertise necessary to reduce investments in risk and compliance without sacrificing program quality. You can count on our partnership to ensure that even in a rapidly changing regulatory environment, you can lower your compliance expenditures and your risk of non-compliance.

We're fully aware that your reputation depends on the security and safety of your data, and we build that priority into every aspect of our best-in-class enterprise banking solutions.

Learn More →

Learn more about modernizing your digital core with Hitachi Vantara — the future of leading-class banking, achieved.

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ABOUT HITACHI VANTARA

Hitachi Vantara, a wholly-owned subsidiary of Hitachi Ltd., delivers the intelligent data platforms, infrastructure systems, and digital expertise that supports more than 80% of the fortune 100. To learn how Hitachi Vantara turns businesses from data-rich to data-driven through agile digital processes, products, and experiences, visit hitachivantara.com.