THE NEW INTELLIGENT ENTERPRISE

Does Your IT Help to Meet Customers Where They Are?

Customers are demanding to interact with companies on their own terms. Tony Branda, a business-intelligence chief at RBS Citizens, says companies can't compete without using information and analytics to be meet customer needs.

From the Editor-in-Chief, *MIT Sloan Management Review,* Michael S. Hopkins

FOR A BANK LIKE RBS CITIZENS, the pressure to become a new intelligent enterprise is most tangibly demonstrated by who *doesn't* walk in the door every day: customers. Fewer customers are physically entering branches; more of them are turning to their computers and mobile phones to make their transactions, instead.

The desire of customers to interact on multiple digital platforms—at whatever times and in whatever ways they want—presents countless organizational challenges. But because all that digital interaction yields unprecedented stores of behavior-revealing data, it also presents countless opportunities. Or it presents them, at least, if an organization is constructed to capitalize on that data deluge in the first place.

That's how Tony Branda sees it. Branda is senior vice-president and executive head of business analysis at RBS/Citizens Financial Group, where he's built a division-wide team to provide advanced analytics, information management, and business intelligence capabilities and tools to units throughout RBS Citizens. In his view, the ascendance of the digitally based consumer will mean that companies need a whole new marketing infrastructure, "one that's

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more data driven and more data-mining-dependant than ever before," and IT executives will have to become expert at enabling it. Branda sees a chief analytics officer in every business's future, as well as a CIO for who will need to be as expert at collaboration as at technology.

Branda spoke with *MIT Sloan Management Review* Editor-in-Chief Michael S. Hopkins.

Keeping in mind your recent experience at RBS Citizens and Wells Fargo, how has the capture and use of information changed in retail banking over the past few years?

I think the main change is retail banking went from being very product-focused, and very siloed in its approach to data strategy, to more of a customer-centric approach. Retail banks are really trying to understand customers more holistically, understanding their profitability in the aggregate and not just at the product level.

Is that a consequence of a strategic shift or because it's simply easier today to look at customers holistically than it was before?

It's a little bit of both. Part of it is that many banks grew from mergers and acquisitions and some of the systems are now integrated, so that a less siloed approach is more possible.

But also it's simply more important in today's competitive, commoditized banking environment to really know your customer on all levels and to start building out customer intelligence.

Banks used to do a lot of product-pushing and offer-pushing, leveraging maybe one or two channels like the branch or heavy direct mail. Now customers want to engage us the way they want to engage us, and that's forcing a transformation.

Great phrase you just used: Now customers want to engage us the way they want to engage us. We've all learned that the Internet is a place to interact instead of just to receive information. Is that what you're talking about?

Definitely. Not all of our retail customers go into the branch every month. Customers are demanding ways to interact with us that they haven't demanded before, like wanting to check their balance on their mobile phones, wanting to get information about their accounts on their mobile phones, wanting to search for information about a product in one channel and then finish the interaction in another channel.

The question for banks becomes how you best interact with those people. How do you make sure that they're satisfied with the product set? How do you talk about new opportunities without a product-push approach? How do you understand the types of products that might meet the needs of their life situations?

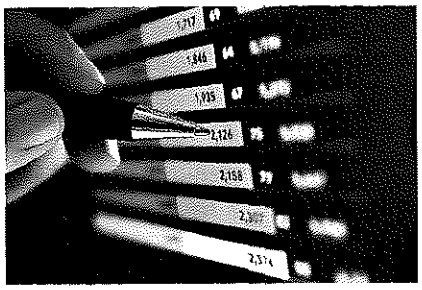
And here's where information, and the improving ability to analyze it, changes everything. It used to be that those questions would have been impossible to answer—or impossible to answer well, at least. But now we have data and analytics. Analytics has provided a deeper understanding of the customer profile and their channel usage and behaviors. And that drives enormously meaningful change.

It seems like this is a shift that's been gradual, but suddenly is very important — crucial, really.

The change is speeding up. Forrester Research has said that by 2014 there's going to be a huge shift from traditional media to interactive marketing as consumers continue to demand multiple channel options for viewing advertising. The interactive space includes mobile, social, email, digital display ads and search engine marketing. There's about $25 billion spent there today or about 12% of all ad spending, and Forrester estimates it's going to go to about $55 billion or 21% of all ad spending, nearly double.

Doubling in four years?

Yes. This ties into my theme that customers are in the driver's seat and they want high-tech advertising that is dynamic and interactive, which requires companies to have business-intelligence [BI] and analytical skills to understand these innovative tech-based channels. This also in turn requires IT and BI teams to understand customer-centric architectures that help customers based on their channel preferences and channel interactions. A whole new marketing infrastructure is required for the interactive space, one that's more data driven and more data-mining-dependant than ever before.



So: comprehensive, nuanced digital interaction between companies and customers will be the way of the world. That means there'll be exponentially more data available to organizations, as well as exponentially more demand on them to use it wisely so that customers feel uniquely well served. Are businesses ready?

No. But that's changing. The whole analytics discipline is finally staring to explode and catch on, and it's becoming a more recognized subject matter within companies.

Historically, companies have buried this skill set, and analytics generally, under marketing or finance or risk, but I'm starting to see it as a whole area of practice with its own C-suite-level executives. They'll be the ones who will lead independent measurement efforts and analytical and empirical approaches to fact-based decision-making. This will really take hold when a CEO creates a position that I would call a chief analytics officer or a chief enterprise decision-management officer or a chief knowledge officer.

What will—or what should—CIOs and IT managers do during this transition to an increasingly information-and-analytics-driven organization?

My advice to tech managers would be to focus on collaboration with the business-side managers in order to understand the key business questions and hybrid skills required to cross the chasm between IT and business functions. In addition, since the nature of analytical and BI development is iterative, develop flexible dynamic teams to help the business answer high impact questions quickly. Where possible, align IT and line of business BI teams with the businesses that they serve to maximize learning.

What are the barriers to adopting that kind of information-based management? How hard is it to make the business case to invest in the IT infrastructure? Are the benefits easy to quantify?

The challenge is that it's easy to just see the expense side of investing in these capabilities. But some of this is art and some of this is science. It's hard to put an ROI on a large database investment, for example. But CFOs need to figure out how to measure the impact of the leverage we're getting. We need to figure out how analytics will, for example, help increase sales in customer service if we're cross-selling. Analytics can enable us to prioritize staffing models for loan officers when they're calling back customers who said they were interested in a mortgage. But there's still a gap in setting up the pro forma to measure the benefits. Whereas the costs of systems and analysts are easy to count. And the expense precedes the benefit, no matter how you do it.

What else makes it hard for organizations to adopt analytics-driven management?

Organizational structures themselves create barriers. Some companies have a cultural emphasis on teamwork and matrix management, others don't. The use of analytics and enterprise-wide information is more

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likely to succeed in companies with cross-functional, cross-silo players.

Optimization modeling is a great example. Optimization modeling is a predictive, analytical approach to engaging customers and understanding how to make tradeoffs between business goals and customer goals. To really invest in optimization is a few million dollars, at minimum—in the people, the processes and the technologies to drive it. So there has to be both common analytical infrastructure and tools as well a common way of working across business lines to test and learn new approaches. Also, companies with size and scale and more well-defined business processes tend to do better at embedding analytics to provide business lift.

You keep coming back to a theme that maybe we could call "integration and collaboration." The information an organization collects—and the ability to analyze it—has to be integrated across all silos and from point-of-use up to enterprise level. And individuals have to be able to collaborate across boundaries both inside their organization and even outside—such as with customers. What are the most important things that IT leaders and IT organizations can do to enable integration and collaboration to succeed?

Take a look at the organizational model and skills within IT to determine if the customer facing IT leaders and managers have a business perspective and have hybrid skills. For example, do your data strategists and solutions design experts ask their business counterparts: "What questions are you trying to answer?" rather than pushing a technology approach that may minimize or over-standardize the solution to fit an IT manufacturing process. Start with the problem, then develop solutions based on collaborative business requirements. Ensure that collaboration and influence-management skills are core competencies of your next generation of IT and BI leaders.
