

## VANTAGE POINT



# Data Cleansing: One Way to Control Expenses

*Maintaining quality customer data can cut expenses, and improve efficiency.*

BY KYLE KITTLESON

**N**early every business is feeling the pinch of the recession and adopting some form of belt-tightening. One method that is often overlooked for reducing operational costs involves maintaining accurate, relevant customer data.

To do that, you must adopt effective data management processes in order to fix and

avoid corrupt, outdated, inaccurate or incomplete data.

Unfortunately, few companies take advantage of this potentially cost-saving process.

Every company and every financial source has outdated, incorrect or duplicate data stored throughout its computer memory banks. There it sits, just waiting for the unwary banker to become tripped up by it. The problems for any businesses using flawed data can range from merely bothersome to truly dire. Poor data that leads to an inappropriate cross-sell can alienate customers. Poor data that sends information to the wrong address fails to deliver a message to the intended customer, resulting in wasted labor and postage and, ultimately, lower marketing response rates. In the worst case scenario, poor data can also create the potential for putting confidential information in the wrong hands.

Quality data is vital for mission-critical applications, such as master data management hubs, customer relationship management platforms, statement composition engines, loan processing systems and many compliance responsibilities, including the anti-money-laundering OFAC and FTC Red Flag rules.

Each community bank is only as good as its data. And institutions that improve the overall quality of their data will see the quality of their data-related decisions and processes improve, which ultimately leads to better operational effectiveness and efficiency. By implementing quality customer data management programs, community banks can make better business decisions, reduce spending and increase customer satisfaction.

## Data Quality

So, what is data quality? Quality customer data involves more than your customers' names and addresses. It encompasses every sliver of data contained in your bank's customer database. By definition, data quality involves ensuring the accuracy, timeliness, completeness and consistency of customer data. It also involves

making sure that all parties using the data understand what the information represents.

While this definition of customer data quality is broad, it takes into account the true scope of what's involved in the process.

A truly effective customer data system involves a three-step process. First, the customer data is collected. Second, data from multiple, disparate sources are combined and examined to determine conformity. The term conformity refers to how similar the data records already resemble one another to help determine how much work needs to be done to make them all uniform.

A "best-of-breed" database takes into account all of the versions of an individual's name and address and links them to a "golden key"—a single source of truth that identifies that individual no matter which system retains the information. (This golden key could be a social security number or telephone number, for example.) And finally, the data is cleansed to correct inconsistencies and errors. The end result should be reliable data that the bank can then act upon with the greatest success.

In general, these three steps may appear quite simple. But putting them into practice is not always easy. Some community banks object to having to source too many systems, product lines and asset classes.

In reality, however, all institutions sell multiple products and services that originate from and are serviced by multiple systems. This typically leads to multiple versions of customer data (such as their name and address identity).

Other banks become frustrated by a lack of data-entry standards, the difficulty of resolving data inconsistencies and the absence of enterprise data governance programs and stewardship. But banks that can get past these reactions will find that the return is well worth the effort.

## Data Management

Once you recognize data as a strategic asset, you need to manage it. Who should manage the data?

Community banks need to have organizational standards that are well-understood, and people who have the clear responsibility to enforce those standards. Data governance establishes the rules, policies and procedures; data stewards carry out those policies and are accountable for the data integrity.

Community banks with the best customer data management practices have put in place a number of strategies to overcome these challenges, such as creating data managers to ensure data-quality accountability.

The best data managers set policies, procedures, standards and guidelines for enterprise-wide as well as departmental data quality management activities. They also develop consistent definitions, goals and priorities for their customer data. These processes

allow their institution to use reliable data to impact business performance. Data quality is the foundation for almost all organizational processes, both operational and analytical.

Consistent definitions enable all functional teams using customer data to know they are referencing the "single view" of the customer. Consistent goals ensure that on-boarding and maintenance processes follow identical procedures regarding name and address entries or updates to ensure that all customer data entered into the bank's system is consistent. And consistent priorities help an institution place "value" on quality customer data. By placing a value on that data, they are able to feel confident about using it to derive bottom-line lift.

## Completing the Process

Just as important, banks need to invest in data collection, profiling, cleansing and management tools to help the process.

Data collection involves the capture of source data. It can include a wide variety of sources and input mechanisms and can be conducted in both real-time and batch modes. Examples of primary data collection sources include customers entering orders over the Web; problem and resolution codes in call-center logs; and point-of-sale data collected by teller stations.

Data profiling helps community banks to discover anomalies, or broken links, and relationships between tables or systems. Data profiling frequently accompanies or precedes the data-cleansing process to identify areas of concern or to validate assumptions. The earlier in the data quality process that data profiling is conducted, the sooner problems can be discovered so that the work required to correct them is minimized.

Once the data is collected and merged from these multiple sources, it must be cleansed to correct inconsistencies and errors. While verifying and correcting data as it is entered into the system can minimize errors, this won't necessarily catch inconsistencies across systems. For example, if each branch creates its own customer file and uses a different identifier for the same customer, it will be necessary to reconcile these files to recognize that what appears to be several different customers may in fact only be one. Data cleansing should also ensure that the data values are timely.

Ultimately, by understanding data quality and implementing data management, financial institutions can cut costs and improve efficiency. **EB**



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