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Financial Services Firms See Results from Big Data Push



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Large financial service firms are starting to see concrete results from their Big Data initiatives. In an executive survey of c-executives from leading Wall Street firms conducted by NewVantage Partners in 2013, 96% of executives reported having a Big Data initiative planned or in progress, with 80% reporting having at least one initiative completed.

For the first time, Wall Street is seeing that Big Data could have an even greater impact on how they do business than initially imagined. Early adopters within the financial services world are seeing initial benefits that may exceed some of the more ambitious prophecies – though in ways not originally expected, and full enterprise adoption is likely to evolve over a decade and not overnight.

Faster time from analysis to decision means quicker time to market. The time which it takes to generate a critical business answer is moving from months or weeks to hours and minutes – many firms report a 100:1 time advantage – as a result of the incorporation of Big Data processes. In our survey, 87% of executives cited both accelerating time-to-answer (TTA) and the need for better analytics as the most common driver of Big Data investment for their firms.

Now, these Wall Street firms have results to report from initial proof of value pilot projects that have been launched in as condensed a period as 60-90 days, reducing the time it takes to move from analysis to decision:

- analyzing risk data in 3 hours versus 3 months
- pricing calculations performed in 20 minutes versus 48 hours
- behavioral analytics in 20 minutes versus 72 hours
- modeling automation from 150 models per year to 15,000 models per year.

Financial services leaders are seeing that they can load all of their raw data into Big Data environments, put this data into the hands of business analysts immediately, allowing business analysts to directly identify that data which yields the greatest correlations and integrate the most compelling data into operational production environments quickly.

By putting data into the hands of business analysts faster, financial service early adopters are eliminating the need for many traditional IT data management roles, and enabling greater self-service for their business analyst communities. Business gets the data quicker. Business decides which data is important. In the same way that the Internet has enabled customer self-service over the past decade and a half, Big Data enables business analyst self-service within the corporation.

Generating usable data at much lower cost structures. Financial service firms have traditionally spent vast sums on gathering, organizing, storing, analyzing, and reporting on data. In spite of these levels of investment, the state of corporate data is typically inadequate – slow to access, of questionable quality, inconsistent, restricted to expert users, expensive to manage and maintain. Ask most financial industry executives and they will tell you that to incorporate new data into a report, the standard response is that it will take “15 months and \$5MM”.

In our survey, 75% of executives cited the need for improved cost performance as the most important driver of Big Data investment. For these firms, the challenge is not one of managing large volumes of data. Rather, the challenge is integrating lots of sources of data.

Leveraging lower cost Big Data technology platforms, financial firms are seeing dramatic cost reductions:

- operational data store built for \$300,000 in Hadoop versus \$4,000,000 using relational database
- trading warehouse build for \$200,000 in Hadoop versus \$4,000,000 with a database appliance.

Big Data costs are lower because the technology of Big Data is radically less expensive (50:1 typically), the expert labor required to manage traditional data processes decreases, and the amount of critical data that must be maintained is ultimately much smaller. Wall Street is recognizing the benefits of migrating expensive data processes from high-cost computer mainframes to low-cost processing platforms.

Changing paradigm for financial service leaders. Financial services firms are seeing meaningful results from their Big Data forays. By obtaining answers to critical business questions more rapidly and more cost-effectively, these firms are making faster business decisions, and accelerating their ability to get to market with new services quickly. The on-the-ground reality for leaders in financial services is that by transforming their end-to-end data management processes, they can lower costs, increase business value, and go-to-market faster with new customer-facing products and services.

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