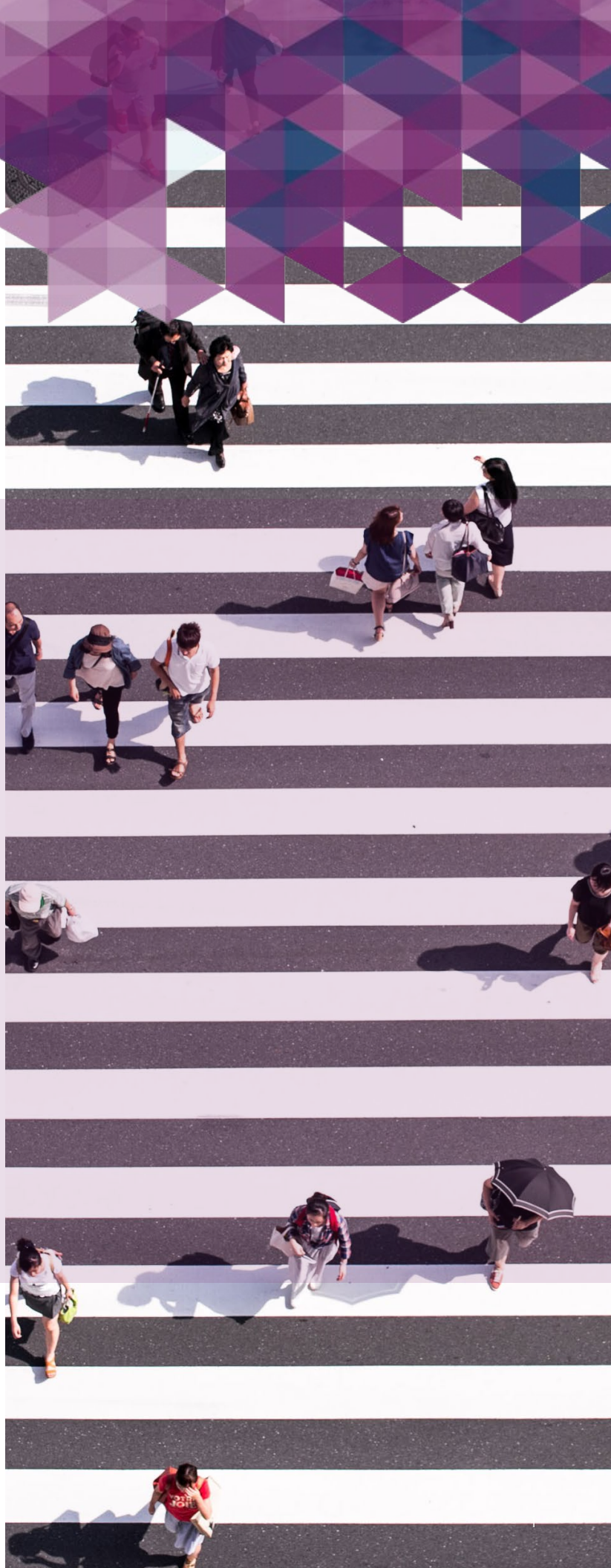
A

SUCCESSFUL MARKETING STRATEGY

is built on a foundation of

DATA ANALYTICS



bakerhill NextGen

Today's financial institutions boast a valuable asset that cannot be listed on the balance sheet. That asset is consumer data.

The intel that data provides empowers banks and credit unions to strengthen relationships by targeting more relevant messages and product offerings to the right customers, driving ROI and revenue growth.

Using data analytics to help guide your financial institution's marketing efforts is necessary to remain competitive in today's market. However, implementing a solid data analytics strategy can be difficult, especially for a smaller, community financial institution that may not have the internal expertise or bandwidth to tackle such a project. To make it more challenging, the amount of data generated by consumers has increased exponentially in recent years due to the shift toward digital channels, like mobile and online, which has upped the number of interactions a consumer has with their financial institution.

To help simplify data analytics, this guide will outline the basic steps financial institutions must take to begin leveraging data for more efficient and effective marketing campaigns. Financial institutions of all sizes can harness the power of customer data to enhance the customer experience and position the institution for sustained growth and profitability.

This guide will break it down to help your institution succeed.

QUICK LOOK AT YOUR MARKETING STRATEGY BUILT ON DATA ANALYTICS

01 A FRAGMENTED VIEW OF DATA CAN ONLY TAKE YOU SO FAR

The biggest hurdle for most financial institutions when it comes to data analytics is consolidating data across the enterprise.

Currently, most financial institutions house data in various systems that are focused on specific functions like CRM or loan servicing, which means these institutions lack a seamless 360-degree view of the customer. Furthermore, many financial institutions only use a portion of their internal data, like transactional data from a specific channel to gain insight on customers; and very few financial institutions analyze external customer data, such as online behavior, social media activity and even figures like home values. To make it worse, rigid legacy systems hinder data integrations, preventing financial institutions from gaining a comprehensive, holistic view of the customer.

THE SOLUTION

To remediate this issue, banks should redirect their focus to the customer instead of products and reorganize their systems and culture to minimize silos. This involves using underlying technology that supports a customer-centric strategy and can be integrated across distribution channels. To illustrate, a call center employee should be able to access the online loan application a customer is attempting to complete.

As a whole, the institution should commit to unifying data, along with relevant second- party and third-party data, to obtain thorough insight on customers, and this should be a continual effort. Financial institutions must utilize systems that support constant collection of data across product lines, channels, and business departments to ensure an accurate, integrated view of the customer. This can be accomplished thanks to today's scalable, cloud-based systems, giving financial institution employees real-time access to quality data, which enables them to meet customer needs quickly and effectively.

02 SEGMENT BIG DATA TO MAKE IT EASIER TO ANALYZE & UNDERSTAND

Once data is aggregated across the enterprise, it is critical to segment that data to accurately target customers with relevant offers and messaging. Tightly segmenting data based on similar criteria can help financial institutions get to know their customers on a more granular level and highlight intel that could be otherwise obscured by the massive volume of data. Ultimately, segmentation helps banks better understand the customer journey and predict customer behavior.

SEGMENTATION STRATEGIES

There are several ways to segment customers according to data, including geographic, demographic, product ownerships, behavior, and life stage. Still, relying on just one of these segments to provide insight is not enough. Financial institutions that start broad and then drill deeper to understand how segments overlap and correlate will gain more valuable insight, as this will help the bank or credit union identify opportunities with the highest profitability potential. For instance, by closely analyzing several customer segments, a bank might find that individuals of a certain income living in a particular zip code with high-school age children are excellent prospects for certain products, like a low-fee checking account geared toward college students. Without cross analyzing those data sets, this revelation go unnoticed.

By building out a segmentation framework, a financial institution's marketing department can answer questions like: What is the institution's most profitable customer segment? What segments should we be cross-selling? And with what products? What are the best new customer segments to go after? What products should we sell them? Armed with this knowledge, banks and credit unions can pursue targeted market opportunities and develop a unique communications strategy for each audience.

03 ANALYZE DATA TO EXTRACT VALUABLE INSIGHTS

After collecting and segmenting data, it is time to analyze it, and there are several types of analytics banks should consider when relying on data for strategic insight.

With analytics, financial institutions can identify which factors drive costs and expenses. From there, these drivers can be used to assess the impact of new opportunities, such as new products or customer relationships, on the institution's overall risk and performance.

There are various types of analytics, which can make it difficult to determine the most appropriate analysis to deploy, but it should boil down to the financial institutions' goals and objectives. For instance, if a bank wants to evaluate how changing interest rates could impact the loan portfolio, a rate shock analysis is a great starting point.

Other types of analytics include descriptive, diagnostic, predictive, prescriptive, sentiment, regression, and sensitivity analysis.

04 WHAT DIFFERENT TYPES OF ANALYTICS EVALUATE AND POTENTIAL USE CASES

After analyzing the data, institutions must then apply the insights gleaned from data to their marketing strategies. The execution of this step is crucial to fully harness the value of data analytics. What good are analytics if they are not applied effectively?

DESCRIPTIVE

This analysis assesses historic information, enabling banks to evaluate and better understand the past. For example, a financial institution can analyze how much revenue a particular product generated in a certain timeframe. However, this type of analysis does not provide insight as to why something happened, so companies typically combine descriptive analytics with other types of analytics.

DIAGNOSTIC

These analytics measure historical data against other types of data to determine why something happened. This enables financial institutions to obtain deeper insights, identify patterns and interdependent correlations within the data. Perhaps a bank has noticed an increase in customer churn in the last quarter; diagnostic analysis can help the bank drill down into the data using multiple variables and understand why this is happening.

PREDICTIVE

Like the name suggests, these analytics can forecast future trends. By using insights gleaned from descriptive and diagnostic analytics, predictive analytics help financial institutions discover patterns to predict potential outcomes. To illustrate, a bank can cross analyze a customer's income, zip code, transaction history and age to predict what product or service they are likely to purchase next. Predictive analytics can be a powerful competitive differentiator, but the accuracy of these estimates is dependent on the quality of data. Also, predictive analytics are most successful when financial institutions correlate results with their data. This optimizes the institution's predictive analytics strategy, supporting more accurate forecasts as time goes on.

PRESCRIPTIVE

This analysis utilizes historical data in conjunction with external sources of data, such as credit bureau reports, to recommend actions to remediate a problem or capitalize on a trend. For instance, a credit union can use prescriptive analytics to find ways to expand its credit card portfolio without adjusting its risk appetite.

SENTIMENT

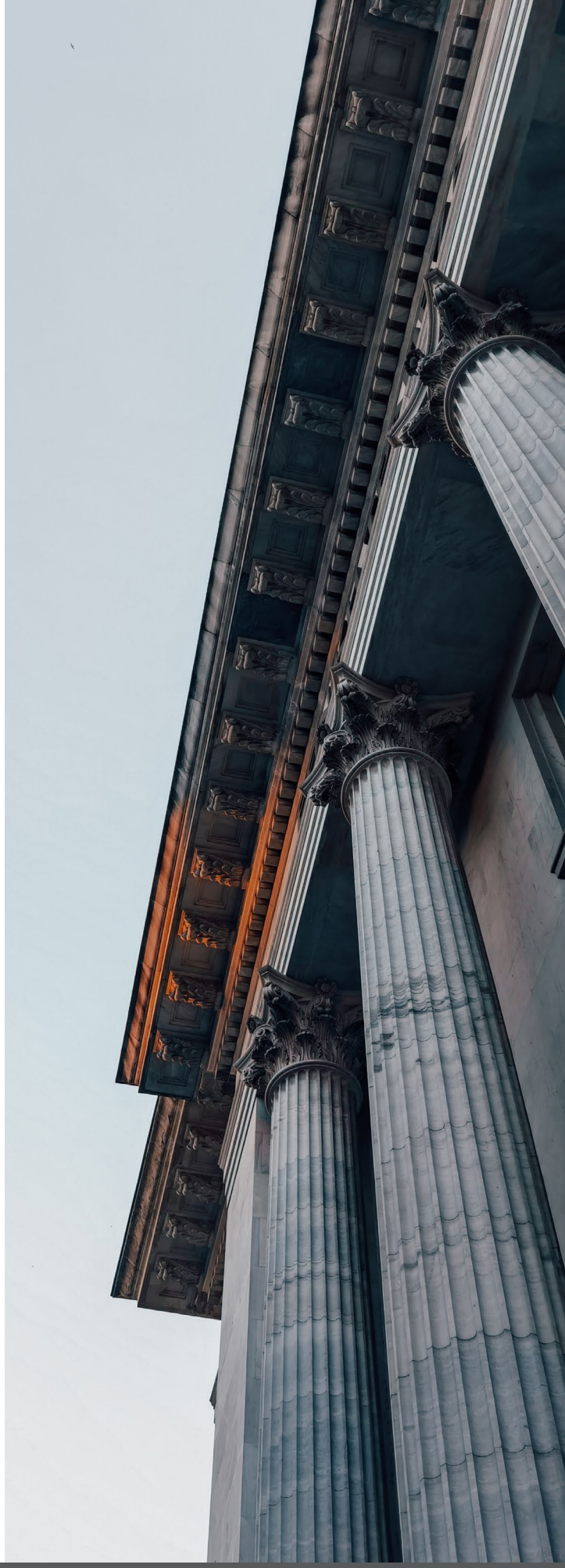
Sentiment analysis enables financial institutions to better understand how customers feel about certain products, branding, messaging, etc. Using natural language processing and text mining, institutions can obtain insights hidden among vast amounts of unstructured data. This type of analysis can help banks and credit unions identify ways to improve products and services quickly, increasing customer satisfaction.

REGRESSION

This analysis examines the relationships among variables such as costs, rates and performance. Regression analysis is often used to estimate investment returns based on the market environment. Similarly, banks can assess loan portfolio performance by analyzing cost of funds against interest rates.

SENSITIVITY

The use of sensitivity analytics measures changes in the values of each variable compared to another variable to establish boundaries. Financial institutions can deploy sensitivity analytics to optimize their pricing strategies. This involves determining the pricing elasticity for each customer segment to maximize profitability and ROI on the institution's current portfolio.



05 APPLYING ANALYTICS TO MARKETING STRATEGIES

By applying data analytics to marketing efforts, financial institutions can realize more opportunities to maximize lead generation potential, improve customer retention, drive market share growth, and increase share of wallet. By now, it should be apparent that analytics can empower financial institutions to reach their full potential, as the use cases for data analytics are vast.

Analytics can be applied just about anywhere within a bank, from risk management to product development, but infusing analytics into marketing efforts can quickly and significantly drive ROI for a bank.

06 INCREASING SALES & CONVERSION RATES

Financial institutions can apply advanced analytics to aggregated data sets, both internal and external, to better identify and qualify its target customers.

With analytics, an institution can evaluate groups of customers based on lifestyle, life stage and special events, which helps reveal the distinct needs of those customers. From there, financial institutions can use this insight to target consumers with similar characteristics and deliver highly relevant product offers and messaging. This can help increase conversion rates.

Another way to boost sales and conversion rates is by applying analytics to channel behavior. Today's consumers typically use multiple channels for researching and purchasing banking products. Data analytics enable financial institutions to understand trends in channel behavior and identify which channels are used more for research versus which channels directly result in sales.

By gaining a deeper understanding of how consumers are using different channels, institutions can find ways to optimize those channels accordingly, leading to increased sales. Financial institutions can review metrics from cookies, URL referrals, webpage JavaScript and more to assess a consumer's online channel journey, while physical channel behavior and the influence of offline media can be measured using promotional codes or campaign tags.

07

NEXT-BEST OFFERS

Insights gleaned from data analytics also allow marketing professionals to make more accurate decisions in terms of “next-best offers” for cross-selling and up-selling.

Financial institutions can use data to measure a customers’ product propensity and their likelihood of future purchasing habits. From there, marketers can generate personalized offers in a timely fashion to drive loyalty and ROI from existing customers.

To accomplish this, financial institutions should, at a minimum, review a customer’s transaction history, along with customer profile data. Profile data is important here because it can help predict upcoming life stage events, which helps perfect the timing of marketing messages. For example, a bank may determine a 17-year-old has submitted several college applications based on her transaction history. Given her life stage, the bank can make an offer for a student loan or a student checking account. Such offers would be highly relevant, and while the window of opportunity here is small, the ROI is not.

Likewise, financial institutions can cross-analyze multiple sets of data, such as customer demographics and key characteristics, products purchased, credit card statements, transaction data, online and mobile transfers and payments, as well as credit bureau data. This allows the institution to pinpoint subtle similarities within its customer base and from there, develop a model to generate relevant and timely product offers.

08 MERGING DATA ANALYTICS WITH MARKETING AUTOMATION TOOLS

For financial institutions to truly maximize marketing ROI, it is critical that the institution merge its data analytics with marketing automation tools. This ensures that the bank can quickly and easily deliver targeted communication that is personalized to a customer's unique financial needs.

A marketing automation tool facilitates the execution of marketing activities across multiple channels. Many of these tools can help financial institutions define workflows, allowing marketing teams to establish rules-based actions for driving outreach. For instance, if a customer clicks on a link to learn more about a certificate of deposit (CD), the bank can establish a rule within its marketing automation platform to send that customer an offer for a CD with a competitive interest rate. This is a very simple example, but more complex and flexible rules are possible given today's technology.

While marketing automation platforms empower financial institutions to promote products and engage with their customer base, these tools do not tell institutions how to accomplish this. Marketing automation tools essentially need a "brain" to function optimally, and data analytics serves as the "brain," powering the effective execution of targeted marketing outreach and campaign promotions.

09 TOGETHER, DATA ANALYTICS AND MARKETING AUTOMATION CAN HELP ANSWER QUESTIONS LIKE:

1. **Which leads should marketing send to sales, nurture or discard?**
2. **Which programs should marketing scale back or double-down on?**
3. **What accounts are potential targets for cross-selling?**
4. **Or, which accounts are most likely to churn?**

OUTBOUND ACCOUNT TARGETING

Marketing automation coupled with data analytics can also enable financial institutions to identify which consumers or businesses should be targets for marketing and sales. Most marketing automation platforms have a database of contacts, providing institutions with contact information to engage them in outbound marketing programs. To do this, a bank would leverage data analytics to identify the characteristics of an ideal, profitable customer and from there, the bank would match that profile with a database of contacts through the marketing automation platform. These new contacts can be imported into the bank's CRM system and targeted accordingly through outbound messaging.

NURTURING LEADS

Marketing automation used in conjunction with data analytics supports more effective lead nurturing as well. Not all leads are ready to go to sales. Some leads may not be in the purchase cycle yet. As a result, marketing is tasked with delivering appropriate messaging to prospective customers that are in varying stages of interest. Oftentimes, companies start all new contacts on an early-stage nurturing track, focused on driving awareness of a product or service. However, organizations can assess data collected from their own website along with other third-party activity data on the web. For example, a credit union can monitor whether a member has researched auto loan rates on other websites and determine that this member is further along in the car-buying process. By understanding that the member is in the research phase, the credit union can provide the most relevant content possible, rather than inundating the member with useless messaging.

PERSONALIZED MESSAGING

It can be challenging to deliver relevant contact based on a prospect's pain points and unique needs. With data and predictive analytics, banks and credit unions can develop multiple scoring models for different products and from there, offer appropriate content for that contact. Perhaps a bank has a small business customer that visits the bank branch each week to deposit checks. Banks can recognize this as a pain point and deliver highly targeted messaging about the bank's remote deposit capture service for business customers. Then, when the bank acquires new contacts that fit a similar profile with the same pain points, the bank can intelligently engage with that customer with proven messaging that showcases how the institution can alleviate those pain points.

Relying on generic email blasts and direct mail lists will not cut it anymore. Fortunately, many marketing automation tools are designed to leverage data analytics. Tools that support marketing campaigns and provide real-time results to monitor and adjust strategies as needed are invaluable resources, especially given today's competitive market.

10 REVIEW CAMPAIGN SUCCESSES & FAILURES TO REFINE STRATEGIES

Be sure to review the results of your financial institution's data-driven marketing campaigns. Your team should assess what works and what doesn't work by correlating successful campaign elements with your data. This will drive continuous improvement of your institution's marketing efforts. Analytics solutions that offer marketing dashboards that deliver timely results will help you quickly and easily tweak and improve your strategies. It is also a good practice to establish regular meetings with financial institution employees, as well as stakeholders, to review and share marketing results. This will help when strategizing where to adjust while promoting the use of data analytics across the enterprise.

Striving for a culture where all employees, from senior management to customer support representatives, understand the value of data analytics will position financial institutions for long-term success and profitable growth.

ABOUT BAKER HILL

Baker Hill's sophisticated technology solutions enable banks and credit unions to compete aggressively in today's complex lending environment. We leveraged more than three decades of lending and risk management expertise to build Baker Hill NextGen®, the cloud-based loan origination and risk management solution built with the latest technology to help financial institutions address regulatory and competitive pressures while delivering the very best digital consumer experience.

Our promise is to add value along the entire buyer cycle—from consultative selling to the training and education that helps our clients maximize their investment in technology. That's why more than 500 banks and credit unions trust the experts at Baker Hill to help them work smarter, make sound credit decisions, and drive more profitable relationships.

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