What Do You Really Know?

How Financial Services Marketers Can Win Using Better Data

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Attention, marketers!

Does your CEO believe that you know what you're doing?

According to The Fournaise Group, "Eighty percent of CEOs admit they do not really trust and are not very impressed by the work done by marketers." Fournaise goes on to say that CEOs believe marketers don't think enough like business people, focusing too much on the creative.[1]

Ouch! Without hard numbers behind them making it possible to strategize, execute and measure success, it's no wonder that financial institution marketers have a difficult time convincing colleagues of their value, rationalizing budget requests and getting the marketing dollars they deserve. To overcome this challenge, marketers need data — real numbers to support their efforts to attract the right prospects, keep the right account holders and grow the institution's bottom line.

What's standing in the way? It's not a data deficit. Marketers have access to tons of data. Rather, it's a "better data" deficit. In many cases, the data that marketers have isn't the data they really need, and their data analysis isn't telling them what they really need to know.

To get connected to the "financial realities," you need to bridge the gap between what you already know and what you need to know to make your efforts most effective.

Here are three examples.

[1] The Fournaise Group, *Global Marketing Effectiveness Program Survey*, 2013

You understand your account holders.

Of course you know a lot about your account holders. But chances are, you don't know enough about how your account holders compare to the industry or market. It may be that you don't know your market penetration by customer segment. Or perhaps you don't know the creditworthiness of your account holders. Or it could be that you don't know exactly whom you're attracting and serving, and why.

Knowing these and other data points makes a huge difference in the success of your marketing efforts. For example, say you have a branch in a college town, but you discover that the average age of the customer in your branch is 48 years old. Could your branch really flourish if you had the right products and services to serve the students nearby? Imagine the possibilities if you had a solid understanding of your account holders and markets.

Or consider your current account holder portfolio: how many of your current account holders have an auto loan or home equity loan with a competitor? Of this number, which account holders are creditworthy by your institution's standards? How many of your retail account holders also own a business, and why aren't their business accounts at your institution?

Marketing forecasting — which opportunities are you missing?

Your CEO wants numbers. With good data analytics, it's easy to get at the information you need to make the most of your marketing. Conducting an analysis of your portfolio will help you identify the opportunities you may be missing, identify at-risk account holder segments, find the most responsive account holder segments and more.

For example, a demographic analysis of your account holder base matched against industry benchmarks will identify the disparity between the people you're attracting and serving and the market as a whole. Recognizing this gap gives your institution the opportunity to fill it with the right products and services to attract more of the market.

Or, in the case of your current account holders, it's easy to overlay your account holder file with third-party data to identify a range of trends — including demographic, behavioral and psychographic data — to gain invaluable insight into your current relationships and future potential.

All account holders are valuable.

All of your account holders are indeed valuable. But it's important for you to acknowledge that all of your account holders are *not equal in value* to your institution.

Most banks and credit unions don't have a way to "value" their account holders and thus don't know who's a "high"-value, "medium"-value or "low"-value account holder. And these labels don't depend solely on account balances. It's all about potential.

For example, one of your high-value account holder groups may not be the oldest or wealthiest. It may be young people with relatively modest income, who are frequent users of online and mobile banking and debit cards. While you certainly don't want to ignore your high-asset account holders, this younger group may be attracted — and attractive — to you because they tend to have multiple-product/service relationships with financial institutions. And their long-term potential shouldn't be overlooked.

Statistical modeling — who's worth your time and money?

You need to be able to defend your spend. Using sophisticated predictive modeling, you can get a 360-degree view of your current portfolio and what your account holder segments look like today in terms of accounts, balances, longevity, product and service mix, and so on. Then, a value segmentation study can identify opportunities and risks across two key indicators: purchase propensity and attrition risk.

Purchase potential models help predict which account holders have the propensity to purchase a specific product. "Next-most-likely-product" models take this a step further by helping to predict the next product the household has the greatest propensity to purchase. Of course, attrition models help predict account holder propensity to reduce balances, close their accounts or leave the institution entirely.

Based on this combination of information, you can define a relationship strategy for individual account holders as well as specific market segments.

Attrition is bad.

No one likes a break-up, but sometimes it's better that way. In other words, not all attrition is bad.

In general, losing account holders who aren't making you money actually helps the bottom line. For example, if you have an account holder who's had a basic checking account with a $25 balance for five years and no transactions, and predictive modeling indicates little to no future potential, it's costing you money to maintain the account and process statements. You shouldn't be too sad to see that account holder go — he or she may not have been the right prospect for you in the first place.

But that's the point: it's wise to focus on attracting the right prospects and getting them engaged with your institution. That's how you can capture the full potential of each account holder relationship and stem attrition overall.

Lifecycle marketing — how can you attract and retain the right account holders?

What are you contributing to the bottom line? Lifecycle marketing is designed to help you maximize the value of each account holder relationship throughout its tenure with your institution. With data-driven insight, you can develop customized strategies for acquisition, onboarding and cross-selling.

In the acquisition phase, data helps you reach the right prospects and attract the right account holders to set the foundation for a long-term relationship.

Effective onboarding helps you create organic growth by transitioning your new account holders into satisfied, profitable and loyal relationships. Using relevant account holder data, you can engage new account holders early — and at key intervals — with targeted multichannel communications.

Data-driven cross-selling captures the full profit potential of each account holder relationship by increasing the number of products owned in the household.

All along the lifecycle, data drives these initiatives, ensuring that you are investing your marketing dollars where they will have the most impact.

Response matters.

There's no question that response is a great early indicator of how a marketing campaign is doing. But it's not the only metric that counts. There are other measurements that matter, including conversion, average balance, and eventually attrition and long-term engagement.

Put together, these metrics — and others — provide a complete picture of your various marketing campaigns, which enables you to refine your efforts, repeat your successes and learn from your failures.

Post-campaign measurement — what's working and what's not?

What are you doing right? Obviously, you're hoping your marketing targets do more than simply click on an email or read a letter or postcard. You want them to "close the deal" by opening the account, getting the loan or using the service you're offering.

Many marketers don't have the capability to tie these outcomes — or lack thereof — back to specific marketing campaigns. They don't know whether a campaign was a winner or a loser, so there's no way to learn what works best.

To measure these outcomes, it's imperative that your campaigns be set up with analytics in mind. This means including a way of measuring all of the metrics that matter on each type of tactic so that you can optimize your outbound marketing strategies.

Which brings us back to the power of data.

If you don't have data to drive your decisions, assess your initiatives and judge your success, you're operating in the dark. It's hard to prove your value — and get a seat at the strategy table with the C-level executives — when you can't show them the numbers that validate your endeavors.

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