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ROUNDTABLE

Differentiate with data

How banks can use data to maximize touch points throughout the customer lifecycle

DELUXE

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Using data for customer marketing has been around for a very long time. But being able to track consumer behaviors in real time and understand where consumers are within the purchase journey—to see into each and every one of those events—is a much more recent phenomenon. So is the ability to effectively process the vast amounts of data that emanates from digital tracking.

Banks have long had access to more customer data than almost any other industry, yet they often struggle to use that data to improve the customer experience. This, too, is beginning to change, yet many financial institutions are looking for guidance and insights as to how to effectively and appropriately tap into the data they have.

During a recent roundtable hosted by *Banking Exchange* and sponsored by Deluxe Financial Services, five industry participants from inside and outside of banking shared their insights into how banks can overcome data obstacles—including regulations—and employ strategies, such as signaling, soft messaging, and attribution, to leverage the wealth of data to which they have access.

Here are the five roundtable participants:

Rob Cook, vice-president, retail marketing, BMO Harris Bank, Chicago. The regional, owned by the Bank of Montreal, has 600 branches in the United States. [Editor's Note: Subsequent to participating in this roundtable, Cook took a position at another financial services company.]

Kesna Lawrence, chief data scientist at Deluxe, helps financial services institutions leverage data, analytics, and technology to get the right product in front of the right consumer at the right time.

Scott Moore, president, M32 Partners, St. Paul, Minn. The firm advises and invests in companies on their growth and innovation strategies. Prior to founding M32 Partners, Moore was the chief marketing officer of Best Buy Mobile.

Drew McMonigle, vice-president, head of product development and product marketing, NBH Bank, Kansas City, Mo. The $4.6 billion-assets bank is the sole subsidiary of Colorado-based National Bank Holdings Corp., and operates under three distinct retail brands—Bank Midwest, Community Banks of Colorado, and Hillcrest Bank—in Missouri, Kansas, Colorado, and Texas.

Bob Meara, senior analyst, Celent, a division of Oliver Wyman Group. Meara covers several areas, including customer analytics, branching, and ATM channels.

Bill Streeter, editor and publisher, *Banking Exchange* and BankingExchange.com, moderated the roundtable.

Contributing Editor Lisa Valentine wrote this report.

What follows is an edited and condensed recounting of a more than two-hour discussion.

Scott Moore

"Companies are starting to focus on digital signal capture—analyzing intentional and unintentional signals sent by customers. Marketers must capture both"

Photos by Francis Son

What are some of the data challenges banks face?

Rob Cook: Banks have made great strides in tapping into transactional data and identifying customer needs earlier, as well as understanding customer behavior and offering more relevant solutions. But banks are still woefully behind other industries, and the gap has widened. Our customers' frame of reference is not other banks. Customers compare their banking experience to their experiences with Amazon or Starbucks, and banks are scrambling to catch up in using data insights to drive relevant solutions.

Kesna Lawrence, Deluxe: I agree that banks have made great strides, but it's still a challenge to link the events and signals that lead up to a consumer transaction to better understand how to qualify a consumer and how to market to them.

Drew McMonigle, NBH Bank: Banks do have access to a tremendous amount of internal data from digital acquisition and account opening and loan processing systems, as well as third-party data they can leverage to create segmentation strategies. However, most lack the organizational prowess to get internal lines of business on the same page to turn that data into an actionable marketing campaign, and to fulfill the product or the service that they market.

Bob Meara, Celent: Many banks talk about delighting the customer, but they don't really use data to make decisions with that mind-set. Instead, they focus on how to translate customer experience into return on investment. For example, banks consistently say that they struggle with the ROI on mobile banking—they're not opening many accounts on mobile and the channel is getting more expensive to support. This has been a data analytics challenge for a long time. There's faith involved: If we delight customers, then good things will happen.

Scott Moore, M32 Partners: It's a problem if businesses are not delivering value for their customers. All companies need to attack that issue first and then worry about marketing, data science, and go-to market strategy. The thing about competition is that it takes the question of value creation, puts it on the end of a baseball bat, and smashes you in the face every so often.

Drew McMonigle

"Banks feel they have to offer every product and service. We have too many priorities, which can sometimes put us at a disadvantage. At the end of the day, focus on your core competencies and partner when necessary"

It seems banks are at a point where they question what value they provide relative to fintech firms. Do you agree?

Moore: The nature of the value that banks provide probably hasn't shifted that much over time. From an outsider's perspective, I still go to the bank to get money. That said, the way I get access to that money has changed radically, and I expect that to continue.

Lawrence: You have to ask, "What's our purpose in existing?" Once you know your purpose, then you can figure out the right things to measure to guide your success.

Too many people don't ask themselves that question often enough. They think they can be great at everything, and that's not true.

McMonigle: Nonbanks can do almost everything that a bank can do, but most fintech firms just do one or two things really well. Banks feel they have to offer every product and service, and have to execute at a high level. We have too many priorities, which can sometimes put us at a disadvantage. At the end of the day, focus on your core competencies and partner outside the bank when necessary.

Cook: The revolution has been in how you deliver the customer experience. New entrants start with insight into a customer need and figure out the best way to meet that need. Or a new entrant may start with a new way of looking at customers. They use big data for behavioral insights. You need those insights—what keeps customers up at night?—and then solve for that, whether you are a bank or a player in another industry.

Lawrence: We call that looking at the right thing. And too often, people think more data is better. This is not necessarily true if you're not looking at the right thing and not able to tie it back to a real-world need

"Understanding the behavioral drivers of your customers and then marrying that with big data can be so powerful"
— Rob Cook

or problem. Consumers don't mind being marketed to. What they don't like is marketing that's not relevant to them at that particular moment in time. Banks can use insights from transactions within the bank and from other providers to offer products customers would like.

McMonigle: Bankers ask a ton of questions. Our compliance team asks a ton of questions. We like to understand the person opening an account or doing a transaction in the hopes of creating a long-lasting relationship.

So what do we do with all this data? How fresh is your information? By the time you build a marketing campaign, that data could be years old. It's stale. Now, every time we do a new campaign, we always gather fresh data and overwrite our system with what we think that consumer looks like today.

A customer may have reported that they make $50,000 a year, but based on their monthly deposits, we know it's more like $120,000 a year. We are always "rebucketing" our consumers. For small business customers, we look at receivables, credit card transactions, and deposit data to make marketing campaigns more relevant.

Lawrence: That's great how your bank is making marketing relevant by maximizing the information at each touch point with the consumer. That's key to having appropriate and timely conversations.

Meara: Most banks aren't that far along in their data differentiation journey and aren't investing in what you're both talking about.

What impact does regulation play in how banks access and use data?

Cook: Regulations play a critical role in making sure that consumers are treated fairly, but banks focus too much on what they can't do because of regulations. That makes it hard to think outside the box and be creative. Other, less-regulated industries can be more entrepreneurial and think more creatively in how to apply data insights.

We also tend to invest only in things we can measure. So that means sticking with more traditional marketing, like direct mail, that you can quantify easily.

Lawrence: Banks tend to approach data by first considering how to avoid risk, whereas other industries consider how they can ensure they are getting the appropriate return on the amount of risk that they're taking. That's a key difference.

McMonigle: We're always pushing the envelope with our compliance, legal, and risk teams—not because we want the bank to be shut down for something that we shouldn't be doing, but because we want to focus on providing value to our clients. What do we want clients to experience? What services do they need? What products add value? We then execute on that within the regulatory framework.

Cook: The issue is also that data is not always available in the right way. Many of the technology investments banks make are driven by regulations, such as anti-money laundering compliance. There are opportunities to leverage some of those compliance investments for broader marketing purposes.

Many regulations require having a 360-degree view of the customer, for example, and you can use that data in other ways, although sometimes you have to retool the systems to get the data you need.

Meara: Netflix knows their customers not because regulators told them to, but because that's how they serve customers better. So if banks have to know their customers from a compliance standpoint, why not use that data to better serve them?

McMonigle: Yes, but due to Regulation B, I can't market to

Kesna Lawrence

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"Consumers don't mind being marketed to. What they don't like is marketing that's not relevant to them at that particular moment in time" – Kesna Lawrence

consumers based on some of the data points I collect, such as if someone is married or had a child. At least that's the way we look at it.

Lawrence: Everyone approaches Reg B differently. Some very large organizations feel that they can't look at anything that remotely touches Reg B, and others feel if they are using that data to benefit the consumer, then they are not having an adverse impact.

Is innovation in banking a function of technology or bringing in people from the outside who have a different perspective?

Cook: We shouldn't wait for outsiders to get a fresh perspective. And that's not just a banking issue. Look at everything from your customers' point of view. How do they interact with your product category? What are the pain points? How can things be done better? Understanding the behavioral drivers of your customers and then marrying that with big data can be so powerful.

McMonigle: But again, there are so many things a bank has to do well. Every single product is a different process, right? Think about your sales, onboarding, and support processes—they're all different. As a bank, you focus so much on trying to protect yourself from regulation, or even looking at the client experience, but resources are not allocated to innovation. We don't have an R&D group. As a smaller bank, we're basically saying, "Okay technology vendors out there, what are you doing to innovate? We'll help you; we'll partner with you to give insights about our clients, and then we'll buy that product from you." That's how most banks our size should work.

Meara: Technology does take investment, and there's some risk involved. If nothing else, it's an opportunity cost because you take money away from something that always worked to try something that is uncertain.

Bob Meara

"Banks talk about delighting the customer, but they don't use data to make decisions with that mind-set. Instead they focus on how to translate customer experience into ROI"

Do you develop a lab and give it lots of autonomy? That's one way to do it, but more banks are doing deals with fintech firms. There is no shortage of fintechs that would love to have a bank on their reference list.

The industry has evolved from looking at fintechs as the enemy to seeing them as a rich opportunity for collaboration. Fintech firms need market exposure, and that's what banks—with their installed base of customers—can bring them.

What are key differences and similarities between banks and retailers?

Cook: Unlike retailers, banks have a few product sets that address fundamental life events, like buying a home, opening up a joint account if you're getting married, or trying to save for your child's future.

We have an opportunity to add more value by helping customers through those different stages in their life. This is not a high-transaction retail environment, but more of a higher-level service environment.

McMonigle: But it's also very similar. Look at the wireless industry. The consumer doesn't go in and buy a cell phone signal. They want to buy a particular device with a service, right? But the buying experience needs to be easy. Don't put me through a 45-minute activation process—I want to do things seamlessly. Banking is retail. You're buying a product. So make it fun to buy it.

Lawrence: There's a lot banks can learn from retailers. How retailers leverage data to control every interaction they have with their customers is absolutely amazing.

The biggest retailers don't randomly send emails to their customers. They know what customers buy and

when. They use data to learn about customer interactions and leverage that data to have better interactions going forward.

Banks have that information as well and can use it to message appropriately, which results in greater conversion and higher consumer engagement.

Moore: Companies are starting to focus on digital signal capture—analyzing the intentional and unintentional signals sent by their customers. Marketers need to focus on capturing both kinds of signals. While they'll find it frustrating at first—Which data? What's it signaling?—over time, the strategy will bear fruit.

Rob Cook

"Our customers' frame of reference is not other banks. Customers compare their banking experience to their experiences with Amazon or Starbucks. Banks are scrambling to catch up"

Can you talk a little more about what you mean by signal capture?

Moore: Companies are starting to build marketing plans by looking first at the signals they have captured about their customers, instead of focusing on the media where they expect the customers to appear. In the future, marketers will prioritize for customers that have signaled "clear intent"—where they have raised their hand to say, "I'm interested; tell me more!" Next, by looking at the signals in the data, they will prioritize customers where they can start to "suspect" purchase intent. For example: customers who have made many visits to a particular part of the website. As a marketer, you need to talk to them right now. In an ideal world, these two strategies would give you 80% of your targets. You'll still have to use your traditional marketing brains to go after that last 20% for a good long while.

McMonigle: We do use some transactional data for messaging. If a customer has a car payment for four years, we start dripping content about auto lending or tips on buying a car. When they get to the end of their payment term, we have the ability to send promotional offers for financing.

Lawrence: Exactly. Don't put an offer for auto financing in front of a consumer if they aren't thinking about buying a car right now. But do use a drip campaign about the benefits of a car loan that consolidates their financial activity with a single entity. This establishes a foundation, so that when the customer is ready to buy a car and you put a financing offer in front of them, the message resonates.

McMonigle: We have six or seven campaigns running to different segments per month, and communicate those to our front line and sales teams, so they know the offer we've sent. We also integrate these offers with our CRM [customer relationship management] system. It's not real time; we process the information overnight.

Lawrence: But you have to be mindful of the number of times you touch the consumer, so you don't overwhelm them. Too many institutions leverage inserts to constantly have an offer in front of their customers. There's nothing wrong with an insert if it's well timed. You have to leverage signals to know when to dial it up and dial it down based upon where customers are in these various journeys and then increase the number of touch points at the later stages.

Moore: It's about capturing a very micro-moment. When you do that, customers are delighted. You get a chance to pull them further down the funnel. Sure, there will be some fall off, but I think customers might be happily surprised that their bank was paying that much attention.

Any other examples of how signaling may work?

Meara: A significant majority of U.S. consumers research products online, but still prefer to originate the relationship in person. We can debate how that's changing, but the fact is that most want to go to a branch, so why not use the mobile app to make an appointment?

Moore: And that seems incredibly doable. If you capture the signal on the mobile device, send a link to the closest branch.

McMonigle: We've been looking at ways to digitally interview our clients on mobile in a tasteful,

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— Drew McMonigle

tactful way—before they buy. We don't want to throw five different offers at someone, but ask about things that are coming up in their lives.

Cook: That's a good signal, but we still need to determine their underlying product need, so we can speak to them in a way that's meaningful. Something we've done is to shorten our forms. Rather than throw the whole application at them, customers enter a small number of fields, and the contact center will reach out to have a fuller conversation.

How do you get signals from sites, transactions, and social media?

Cook: Social is definitely a platform we're investing in and seeing good returns on. But the challenge is that you have to be relevant. Social media sites, such as Facebook, have pretty advanced targeting data elements that you can leverage.

You can also marry these elements with your own customer data. If my customers are on Facebook and I think they are in the market for a mortgage, I can push out a video that gives guidance about how to maintain a house. It's not a hard sell. Customers opt in, and you build an audience you can target with more relevant offers.

Scott Moore

"You can, in almost real time, know how well your social and CRM marketing is working and where you can shift your spend to improve performance"

Lawrence: The technology has advanced in its ability to combine offline information with a customer's online information and their specific location.

We do a lot of powerful inferencing to deliver soft messaging based on websites customers visit or different searches they've done. The ability exists today to combine that data with other demographic elements, such as identifying customers with children who are high school seniors who may be in the market for a student loan.

You can easily do this anonymously online, but imagine being able to continue that messaging offline. You can then do additional marketing one-to-one.

How do you know if the messaging works?

Moore: Online you can attribute every dollar you spend. Some retail companies are becoming better at

doing offline attributions as well. No one is perfect yet, but the math inside the attribution tools has gotten better. You can, in almost real time, know how well your social and CRM marketing is working and where you can shift your spend to improve performance.

Lawrence: We're helping our customers with attribution every day. Attribution is, in simple terms, understanding the impact that your actions had on the consumer buying decision. You can see the impact that your touch points and your marketing have on specific consumer behaviors, even if they don't buy that product from you.

Moore: You can make better messaging, channel, and media decisions. With the right attribution tools, you just get sharper.

Does all this apply to small business and commercial customers?

Cook: Attribution is important on the commercial side as well, although the tactics you use are obviously different and the sales cycle is a little bit longer. But in terms of thought leadership, you can push out digital content to establish your brand and build awareness. You just need to link that activity to a conversion process that tends to be more sales driven. Connecting those dots is a little bit harder sometimes on the business side, but it's the same approach.

Lawrence: We've seen that small businesses—specifically sub $5 million and sub 100-employee businesses—are a direct reflection of their owner. You can take that personality profile of that owner and apply it to the business. If the owner is having financial difficulties, the business is going to have financial difficulties.

So we've actually begun the process of linking consumer information and information about business owners back to their businesses, so you can have more effective touch points and interactions with them.

How do banks get started with data differentiation?

McMonigle: Big companies that have a lot of money also have a lot of innovation going on within their four walls. For the rest of us, you cannot go from zero to machine learning in the blink of an eye. Start small. First, do a few things really well to create a foundational mind-set, and then grow it over time. For example, something we do the day after a client opens a new account is to send an email asking them to rate their experience.

Meara: A small bank isn't going to hire a bunch of data scientists. But the good news today is that the data and predictive models are already built, and they're available in the cloud. It doesn't take a big investment. It won't be perfect, but it will be much better than not doing anything.

Cook: Make sure you are very disciplined about setting up clear testing controls, so you can really measure what you're doing. You don't want to blindly go with what your vendors are pitching. Evaluate their offering against the alternatives to make sure you are optimizing and getting the most out of your investment.

Bob Meara

"Netflix knows their customers not because regulators told them to, but to serve customers better. So if banks have to know their customers from a compliance standpoint, why not use that data to better serve them?"

Views on using data to increase financial inclusiveness

Moore: I have a question for the group. We've talked about how data can help financial institutions in many ways, but what's the impact of these new data capabilities on inclusiveness?

McMonigle: There are qualified consumers everywhere. You can use data insights to, perhaps, serve them a little bit differently, or provide education or different experiences to different segments. Digital technology has provided a way of capturing that business at a lower overall expense, which, in turn, means that you don't need to have a banking center on every corner to be competitive.

Cook: I agree that we can use data to create more opportunities for everyone. You create value by proposing solutions that are relevant to your customer. It's built into the DNA of the most responsible banks to use data to support their entire community.

Lawrence: There's a very large, underserved market in the United States that doesn't have access to traditional banking products and services, and has to seek alternatives to meet their needs. You can't pull a FICO score on a person who hasn't had credit before. So why not look to see if they pay their gym

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membership on time? You can then develop specialized, beneficial products for them.

McMonigle: We found an opportunity for inclusiveness by setting up our data rules to manage the risk of people who haven't traditionally been able to open up a bank account. We now offer a checkless, overdraft-free account with a debit card that significantly lowers their chance of a charge off.

What's the impact of data on product development?

Lawrence: There are many new products that have not yet been created that should exist, such as revamping home equity loans. But people haven't taken the time to think about how to leverage all the industry learning on home equity loans over the last 30 years.

Meara: That's a great example. I was thinking of the relatively small number of banks that have invested in chat bots or virtual agents to replace traditional FAQs on mobile apps to improve the customer experience and deflect call volume out of their call centers. That's terrific ROI. Or banks that have invested in digital appointment booking that significantly improves the sales success rate.

Kesna Lawrence
"There are many new products that should exist, such as revamping home equity loans. But people haven't taken the time to think about how to leverage all the industry learning on home equity loans over the last 30 years"

McMonigle: We look at call drivers, such as the number of questions about certain features. And often, we can alleviate that pain through the development of something very simple and actionable.

For instance, we just converted to a new online platform a year ago, and we didn't give customers the ability to unlock their account if they get their password wrong three times. We recently installed a password reset functionality within the application and had a 70% decrease in those calls the week after.

Meara: That proves that even if you don't have a ton of analytical sophistication, you can use the data that you do have to improve the customer experience.

There are off-the-shelf solutions that are not expensive and relatively easy to implement. But very few banks are buying them.

McMonigle: It's not always going to be this "ah-ha" technological moment. Sometimes it's really simple low-hanging fruit that's low cost but makes a significant improvement in the client experience. ■