Information Builders

How Credit Unions Achieve Profitable Growth With Data and Analytics

Empowering Credit Unions to Embrace Advanced Analytics
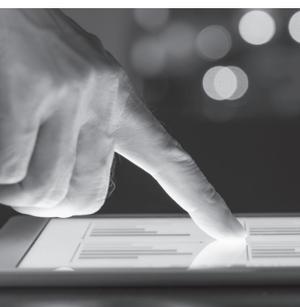
WebFOCUS   **iWay Software**   **Omni**

Information Builders helps organizations transform data into business value. Our business intelligence, integration, and data integrity solutions enable smarter decision-making, strengthen customer relationships, improve performance, and drive growth.

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Introduction

Today's credit unions operate in an environment ripe with opportunities, accompanied by challenges. Game-changing technologies, new fintech competitors, regulatory burdens, and increasingly sophisticated members encourage credit unions to refine their traditional strategies for success: profitable growth, optimal member service, and a superior member experience.

Credit union membership growth outpaced other financial institutions in 2016. In the first quarter, credit unions experienced a growth rate of 6.4 percent, compared to just 1.9 percent for other financial institutions.[1] The Credit Union National Association (CUNA) expects that growth to continue, anticipating a 3.5 percent increase in 2017. CUNA also predicts growth in savings (5.5 percent), loans (10 percent), and overall assets (6.5 percent) across the credit union industry.[2]

To continue these positive trends, credit unions must battle for market share against global and national banks – institutions investing hundreds of millions of dollars annually in analytics and data discovery solutions to improve the acquisition, service, and retention of customers. In contrast, credit unions must often rely on manual, legacy approaches to understanding their data, which can leave them increasingly further behind. The result is shaping up as an analytics "arms race" where institutions with the most powerful, innovative analytical insight outpace the others in profitable growth, member service, and retention.

"Let's face it: we live in a world where a strong data and analytics competency is becoming a 'must have' for successful companies," says Brewster Knowlton, founder of consulting firm The Knowlton Group. "Despite the growing significance of analytics, the majority of credit unions are not 'data-driven' organizations."[3]

Credit unions can gain the insights necessary to better promote growth and improve member engagement by embracing analytics technologies. With this capability in place, they're eligible to be perceived as "best-in-digital class" with abilities to:

- Increase new member acquisition and retention
- Design relevant, personalized recommendations to existing members
- Provide a more engaging, customized online and mobile member experience
- Boost productivity and lower expense ratios
- Effectively segment prospective marketplaces for education and promotion
- Redistribute channel utilization to lower the cost per transaction
- Enhance risk management, capital adequacy, and stress testing
- Improve fraud detection and cyber security

In this white paper, we'll discuss how advanced analytics can transform credit union operations and finance. We'll also highlight the benefits credit unions can achieve, and the challenges they face when selecting and deploying analytics solutions to support their business strategies.

[1] Baumann, David. "Credit Unions Outpacing Banks in Membership Growth," Credit Union Times, August 2016.

[2] "Economic Forecast for Credit Unions," Credit Union National Association, March 2017.

[3] Knowlton, Brewster. "What's Holding You Back from Being Data-Driven?" The Knowlton Group, September 2016.

The Analytics Challenge

While financial institutions spend billions of dollars on marketing analytics, CUNA Mutual Group claims that only eight percent of credit unions enhanced their analytics capabilities last year. According to the organization's chief economist, credit unions "have yet to seize the opportunity of a huge untapped potential to leverage member data and analytics that can increase penetration rates in key deposit and lending areas."[4]

So why are credit unions so late, or reticent, to participate in the analytics revolution?

Most existing analytical solutions aren't designed with credit union needs in mind. For example, core system providers offer un-integrated, siloed, often antiquated solutions that address only a fraction of analytics requirements. Likewise, traditional enterprise-scale solutions are also generalized, not tailored for credit union use, too expensive, and complicated. Visualization tools may provide a quick start, but can't meet the longer-term strategic needs of the credit union. They also include limited functionality suitable only for business analysts and power users – leaving out executives, relationship managers, contact center representatives, and other crucial members of the "front line," not to mention the members themselves.

Credit unions seek a robust solution to address their unique needs without the complexity and high cost of other solutions. Optimally, their chosen analytics platform will:

- Easily access and retrieve data residing in diverse databases, legacy applications, core systems, and spreadsheets
- Consolidate these diverse information subjects – members, products, marketing campaigns, transactions, channel utilization, and operational performance – into a single, enriched view of the business
- Summarize detailed, transactional records into a "big picture" of key performance indicators (KPIs), charts, and reports, with the ability to drill down through increasing levels of detail, as desired, to support insight and discovery
- Deliver these insights through dashboards, charts, visualizations and data discoveries, reports, and more

[4] Strozniak, Peter. "Member Data and Analytics Hold Untapped Potential," Credit Union Times, October 2016.

Credit unions depend on core and related support systems to run their business, with each system locking up a tremendous amount of member, financial, and marketing data from which impactful insights can be distilled. Leveraging that data for analytics use can help credit union business stake-holders do many powerful things, such as strengthen member relationships, improve marketing segmentation, reduce fraud, and increase competitive advantage.

Strengthen Member Relationships

Credit union members desire more personalization than banking customers, according to a 2016 Credit Union Consumer Survey.[5] This is particularly true of millennials – a key demographic group for all financial institutions. Forty-three percent of millennials claim they value the personalized experience they receive from their credit union.

Analytics solutions enable that kind of personalization, by providing deep intelligence about each individual member's needs, preferences, and behaviors. Credit unions can then tailor interactions based on that insight, to build greater trust, satisfaction, and loyalty.

"In today's data-driven world, there is more possibility than ever for credit unions to leverage the personal relationships with members that have always given them an edge over mega banks," says Steven D. Simpson, chief executive officer of FinTech Consulting. "And harnessing their data via advanced analytics can provide CUs with the deep membership understanding they need to enrich such relationships."[6]

Improve Marketing Segmentation

"As a credit union, you need to understand who your potential members are and what products and services they need," states Knowlton in an entry on the Equifax Insights Blog. "In today's hyper-competitive market, demographic segmentation is no longer enough to zero in on the members that will help you build a rising revenue stream. Instead, you need powerful tools that leverage big data and accompanying analytics to provide the granularity necessary to identify and talk to high-opportunity members."[7]

Advanced analytics help to identify important trends in member behaviors based on age, gender, marital status, income, and other vital characteristics. This will enable the development of highly personalized, relevant, and targeted campaigns and promotions that drive better member engagement and boost service, satisfaction, and "share of wallet."

[5] "Study: CU Members Prefer More Personalization Than Do Bank Customers," CUToday.info, December 2016.

[6] Simpson, Steven, D. "Data Analytics: Two Forces Behind Credit Union Success: Data Analytics and Personal Relationships," Credit Union Business, September 2015.

[7] "How Credit Unions Can Use Customer Segmentation to Help Boost Revenues," Equifax, October 2014.

Florida-based advertising firm MDG believes that precise segmentation will drive big results for credit unions in 2017. Credit unions that engage in better segmentation will avoid overloading their members with too many, or irrelevant messages, optimizing their advertising spend while, in the estimate from MDG, realizing a 94 percent increase in click rates and a 15 percent higher open rate.[8]

Reduce Fraud

In a 2015 survey by the Association of Financial Professionals (APF), 62 percent of respondents confirmed that their organization had been subject to fraud in the previous year, with checks and credit/debit cards being the areas where the most fraud attempts were made. Furthermore, as credit unions provide more channels for member interaction, the risk of fraud increases. The study shows that it is up to seven times more difficult to detect fraud through digital channels, than in person.[9]

Advanced analytics allow credit unions to closely analyze patterns and trends in member transactions, so they can spot suspicious and potentially fraudulent activities, identify at-risk accounts and cards, and more. This allows them to take a proactive approach to detecting and preventing fraud.

Increase Competitive Advantage

The wealth of benefits offered by analytics solutions – improved productivity, increased cost-efficiency, more effective marketing and member service, and reduced risk – translate into a solid advantage in an increasingly competitive landscape. Credit unions using their data strategically have the opportunity to emerge as market leaders, moving ahead of those who don't.

"Those who refuse to adopt these techniques will be eliminated by competitors or absorbed through acquisitions by more analytically driven financial institutions," claims Knowlton.[10]

[8] "5 Credit Union Marketing Trends for 2017," MDG Advertising, 2017.

[9] Bray, Lora. "Fraud Trends Revealed," Credit Union Magazine, February 2016.

[10] Knowlton, Brewster. "Analytics in the Credit Union and Banking Industry: A Competitive Necessity," The Knowlton Group, November 2015.

Conclusion

Credit unions want to get on the fast track when it comes to analytics, embracing new solutions to quickly level the playing field against the larger financial institutions they compete with. Their requirements include:

- Pre-built applications, including easy-to-use, interactive analytics apps that allow them to get up and running quickly

- Intuitive tools that will enable all executives and businesspeople – not just power users and analysts – to create their own reports, charts, graphs, and visualizations

- Member-facing analytics that boost satisfaction and loyalty by offering convenient, value-added information services to differentiate the credit union, and providing powerful value not available from other financial institutions

- The ability to consolidate hundreds or thousands of overlapping and duplicate reports that already exist, to dramatically reduce the "time to answer"
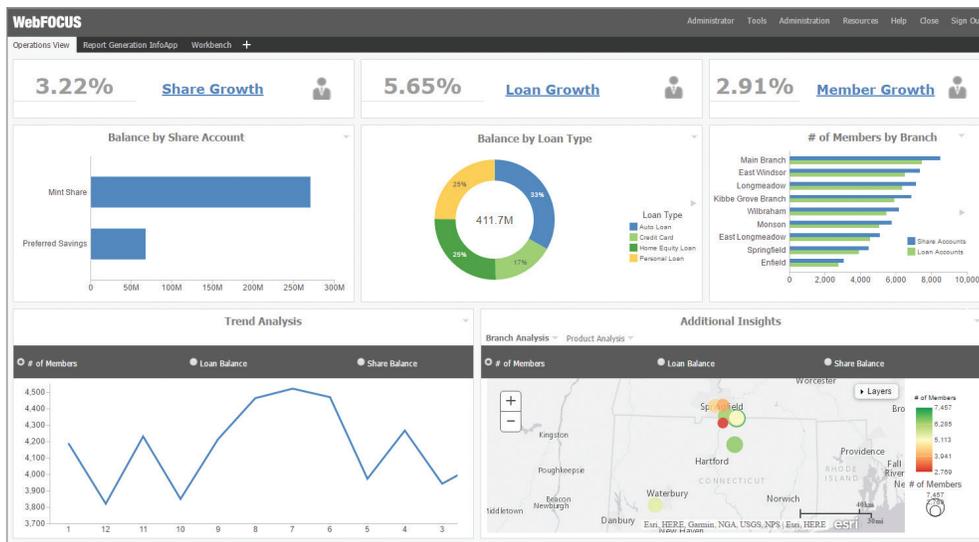
An executive dashboard can visually aggregate and consolidate information across products, branches, and members.

Information Builders' WebFOCUS Analytics for Credit Unions provides the widest range of analytics and business intelligence for operations personnel, managers, analysts and power users, and executives across the credit union – even members, if desired. Credit unions can offer just the right set of cap-abilities necessary to ensure their growth and member success, today and in the future. These capabilities include:

- **Rapid Start.** Pre-developed executive views, dashboards, reports, and interactive purpose-built apps known as InfoApps™, combined with a logical reporting model spanning six domains (share account, member, account, loan, employee, and branch) offer immediate productivity "out of the box", and business value with minimal training

- **Self-Service.** All authorized employees and members can independently access, report, and explore all data, dramatically eliminating dependence on small IT staff

- **Customized Reporting and Report Consolidation.** Users can take advantage of an intuitive report generator to quickly create just the report they want, replacing hundreds or thousands of individual reports with just one or two InfoApps to greatly increase analytics efficiency

- **Optimal User Adoption.** Making analytics available and easy-to-use for non-technical business users, with quick answers to urgent questions, ensures widespread usage and return on investment

- **Affordability and Long-Term Value.** The solution's single platform allows organizations to "start small", and incrementally add new capabilities and insights – such as data quality management, master data management, predictive analytics, social media analytics, and big data integration and management – at an appropriate price point

Visit our website at **informationbuilders.com/solutions/credit-unions** for more information on how WebFOCUS Analytics for Credit Unions can get you started on the analytics journey, gain maximum user adoption, and earn unlimited long-term growth.

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