Data Wealthy But Intel Poor? Invest In CRM

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Data has become an essential raw material for American business, almost on a par with capital and labor. The reality is that financial institutions have more information on their customers/members than any other industry. This data wealth is a tremendous advantage for those organizations that use and analyze information wisely.

Those institutions-typically large credit unions and banks-that use data wisely often succeed in besting their competitors and will likely continue to do so in the near future.

Customer Relationship Management is a sales and service culture enabled by technology. The operative phrase is enabled by technology, as CRM is not a technology solution but a cultural and a people transformation; it is, in its true essence, a state of mind-held by management and staff-that puts the member first in all interactions.

To the member, the CRM process is invisible and seamless but the effect can be profound. Members need only tell their story once, instead of each time a new call is made while appropriate products and services may be suggested. This is part of an evolution that the financial services industry is undergoing where a marriage of data, financial relationships and predictive analytics are making assumptions of potential buyers and their future behaviors.

For the credit union, marketing decisions are made based on backwards in time to past behaviors and placing consumers into demographic groups or subgroups. While that has its value, what is really required is a significant change in the organization's way of doing business and operations.

Exploring The Strategies

A new white paper, "CRM Strategies," from CUNA's Operations, Sales and Service Council, examines many of the issues related to successfully developing that culture, including the example provided by one large company that excels in predictive analytics, Capital One Financial Corp. It uses targeting technology to decide which credit cards to show to visitors to its website. Capital One uses an outside firm to develop behavioral data banks that track retail purchases, online browsing and a database that will predict a person's place in the corporate food chain. With this information, the data is analyzed to develop a profile on the person who is visiting its website.

Capital One uses technology that scans the information that travels between the user's computer and the web page, which can be lines of code that contain details on the user's computer. Once it collects this data, it uses Nielson Co. to assign the user to one of 66 demographic groups. In a fifth of a second, a multitude of data is analyzed about one user matched to similar Capital One customers to make a prediction about which credit cards to show the visitor.

Most CUs, of course, are going to pass on paying the large expense that Capital One pays for predictive analytics. But large sums of money aren't needed to have an effective CRM system. Smaller organizations can succeed at data analysis and prediction, even though most of the CUs performing well in the CRM sphere tend to be in the $500-million range and up in assets.

Predictive analytics can be a gateway to the digital future for credit unions, as they will be-and are currently-competing with organizations that are using these technologies. Mining data to better understand members and influence behavior can result in a significant return on investment.

One CU's CRM Experience

A CU that has effectively deployed CRM in parallel with a supportive culture is Evangelical Christian CU in California. If a credit union has one core system containing all of its data in that one repository, it might not make sense to travel along the CRM journey.

So while developing a strategy, the critical question to pose is the rationale for implementing a CRM system. ECCU is a natural-person CU, but the majority of its business is wholesale; it provides loans and cash management services to faith-based organizations, so most of their clients are corporate entities.

Evangelical Christian CU offered these four reasons for investing in CRM:

• Establish internal efficiencies. Multiple staff deals with the same members, and these members have to repeat the same information each time they call the credit union. Multiple sales teams might see the same organization in one week.

• Ensure that the data is accurate and reliable. Some staff will key information in places that aren't retrievable by their colleagues. A central repository for data is advisable.

• Improve your image. If members have to repeat their story each time they call in or stop at the branch, your image suffers. A CRM can improve the member experience on the telephone or in person.

• Improve marketing campaigns. CRM systems allow you to do campaign marketing and better contact management.

Evangelical has realized some of the original objectives of its CRM system, including increased sales closure rates, improved member retention rate, increased share of purse of existing deposit clients, and reduced costs, among others.

Your credit union has all the essential raw material it needs, including that wealth of information on your members. It's a tremendous advantage when used wisely. But more than technology is needed; it is imperative that you also transform your culture to enable that technology to deliver your CU the ROI you need to drive stronger growth