Leveraging Customer Data to Increase Profitability

🏷 **profitability   marketing   business customers**

Summary: CFIs would do well to collect and analyze data on customer behaviors and spending habits — not only from their own systems, but also online portals and apps, as well as their partners' APIs in an open banking model. We discuss some opportunities.

In the 1957 movie, "Desk Set," Richard Sumner, an engineer played by Spencer Tracy, recommends computerization of a TV network's research department, which at the time was manually conducted by a team of women — headed by Katharine Hepburn's Bunny Watson. Bunny's last name was most likely a homage to IBM's first CEO, Thomas Watson. Fifty-four years later, the tech company's natural language computer, IBM Watson, beat two long-standing "Jeopardy" champions.

These days, computerized data can be leveraged for a multitude of purposes, including aiding community financial institutions (CFIs) in serving their customers better. But not as many CFIs are taking advantage of computerized data as they should. According to a survey by Forrester Consulting on behalf of Equifax, only a third of institutions collect customer data from common engagement channels like online portals and mobile apps — and less than half are employing analytics to gain insight on how to better serve customers.

Chris Atwood, the senior marketing officer for Equifax, knows how powerful that data is when it's collected, disseminated, and acted upon to increase customer engagement and provide the experiences customers are looking for. "*Consumers are increasingly demanding a more personalized and frictionless engagement with their bank, in real time,*" he says. "*Banks need analytic solutions in place to help them understand how to evaluate the siloed data.*"

There are a few different sources of customer data that CFIs can leverage for this purpose:

- **Data from APIs.** CFIs that employ an open banking model can collect data from the APIs of their fintech partners to gain even more insight into their customers' behavior and financial needs. Analyzing both financial and nonfinancial data from these APIs can help CFIs glean even more valuable insights.

- **Life-cycle-based data.** CFIs can analyze customer data in their systems and APIs, as well as in online engagement portals and apps, to determine when to make personalized offers on life-cycle events such as buying a house. The data may contain indicators in the form of spending habits and engagement that can help predict when major life events may be on the horizon for a customer, according to BAI's July report, "The Power of Data: How Banks and Credit Unions Can Put It To Work." Being able to anticipate some of customers' life-cycle events allows banks the chance to "*design offers or products for them in the right time frame. Essentially, it is all about customizing the customer's experience and is paramount for financial institutions to implement to keep high brand engagement.*"

One such example is a pre-mover tool that alerts banks when customers list properties. The natural next financial move would be for them to shop for a new property to replace the one they're selling. By using this type of data, your CFI could target this customer with a mortgage deal.

- **Customer journeys.** Analyze every step of a customer's interaction with your institution, from a branch visit with a loan officer to a digital deposit via your mobile app, to determine if there are any gaps or misalignments between channels and service levels.

Given today's difficult market, it's essential to understand how customers are engaging with your brand to pinpoint opportunities to improve profitability. Once you've gathered that data and used it strategically to fill in those gaps and realign the appropriate service offerings for each individual customer, maximizing efficiencies will become much easier. For instance, if you notice a lot of customers who opened accounts online visiting branches to make transactions, you might want to see what service gaps there are between your mobile app and your branch capabilities.

We have come a long way from the days of manual data collection and early generation computers, but the drive for that customer data has always been the same. CFIs can provide more customized consumer experiences by paying closer attention to their customers' behaviors and spending habits.

PCBB has a data analytics tool called Profitability FIT that analyzes CFI customer data to assess the profitability value of their customers. This type of tool can help you leverage the data at your disposal so your CFI can better understand your customers and build a more valuable relationship with them.

ACHIEVE 360-DEGREE CUSTOMER RELATIONSHIP VIEW

Mine your customer data and loan history with Profitability FIT to determine the best loan pricing for higher bank profitability and customer retention. Contact us today to learn more.

ECONOMY & RATES

Rates As Of: 09/27/2022 08:19AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	3.39	0.43	3.33
6M	3.95	0.63	3.76
1Y	4.13	0.63	3.74
2Y	4.30	0.80	3.56
5Y	4.17	0.82	2.91
10Y	3.94	0.74	2.42
30Y	3.79	0.49	1.88
FF Market	**FF Disc**		**IORB**
3.08	3.25		3.15
SOFR	**Prime**		**OBFR**
2.99	6.25		3.07