



4th Annual Banking Symposium

Community Banking on the Horizon: Seizing Opportunities

For Bankers Who Haven't Dived Into Big Data Yet

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Banking strategies around "big data" are popping up like dandelions in March. Some are monstrous projects with insanely huge databases that many bankers have to watch from a distance while wondering if they are missing out on big gains or avoiding a big waste of money.

Let's slow down a notch. The Big Data Revolution brought more than the tsunami of new data sources. It is bringing a wave of insight on how to use data to make better decisions.

Banks can apply these insights now with the same data they've always had.

"Big data" is not really about data. It's about strategy execution. This must be sewn deep into the mindsets of the bank c-suite. Data collection, storage, and analysis, even if the bank is aiming for the coolest, fastest, most complete, data available, are worthless unless aimed at specific, often surgically small, strategic questions. I have seen banks spend a fortune on collecting customer profitability data down to the gnat's eyebrow in detail, only to find after years of scrubbing data, infighting between sales and finance, and thousands of hours of data work, that it is *not helping them generate new profit*.

Many banks approach growth strategies on the "macro" scale. A bank for instance aiming to grow their C&I portfolio (basically non-real estate commercial lending) will often focus on bank-consuming projects around staffing, cash management products, sales management training, operational efficiency, major marketing campaigns, etc. Data in these macro efforts tends to be used *after the fact to see how they did*, not *in advance to see what to do next*.

What's also needed is a look at the "micro" scale, down to the heart and soul of those C&I borrowing companies, including "seeing" the actual people who touch the banking relationship every day.

The internet age shifted power away from marketing/advertising to the consumer. It is at the person level that referrals are born, and positive feelings often come from small personal efforts.

Best explained with an example. Let's drill down a little more on a C&I growth strategy. C&I lending is a popular bank strategy because it brings assets, margin gains, deposits, fee opportunities, and community impact. Success in C&I lending goes beyond whether the bank can *do* C&I lending (because most banks can today). It's more about landing new customers and growing existing ones.

Research shows that business banking portfolios grow the fastest through referrals. Here's how a data approach can spark powerful referrals:

1. **Find out exactly which industry** in the bank's market has the best two-punch combination of potential growth and an existing bank portfolio with some leaders in that industry. Is there a concentration of medical providers? Manufacturing? Technology firms?
2. **Pick the top 2-5 existing customers** in that industry and endeavor to enhance their experience significantly, followed in 6 months by unapologetic requests for referrals.
3. **Create dossiers on those customers and use that data to show your personal knowledge.** This is one form of big-data by the way, even if the results are stored on yellow pads. Google search them, understand their history, follow the careers of the individuals the bank works with, keep Google Alerts to so research stays fresh. Follow industry trends and share what you have found back to them. Find out what trade groups they belong to and get involved. Scour their website and Facebook for what nonprofits they support, what high school sports they cheer for, what awards they give, and which people they recognize. Be creative in ways to use this information to do surprisingly memorable things for those companies.
4. **Pick the most important regularly encountered bank activity to that business's financial success** and drill in to find out how the bank can improve it. For this example, let's assume **ACH Payroll files, Wire transfers, and sales transactions from purchases** are at the heart of daily C&I business interaction with the bank. Get to know everything about these activities, and offer new value where possible and affordable.
5. **Get intimate with the people doing these transactions.** Determine the volume trends by season, holiday, month, week, and day when they do the most wires and/or ACH, and start being proactive about helping them manage their more complex days. Contact them before, during, after, and notice if they are late. Use data to find out what equipment they are using. (One bank I worked with identified from online banking logs a user in a large commercial customer who was using Windows XP – so the bank bought her a new computer and made an amazing splash with management.) Combine data from the Customer Service center call history with transaction data to see if there are areas where the company needs more training or better service. Combine transaction data with weather data to see if their behavior changes, and proactively be there for them at the next weather incident. Know their favorite bank channels, including when they tend to visit branches, and make it known that you know.

"Hi Frank! You're here for your quarterly reconciliation! I have your favorite employee waiting for you, and a cup of your favorite tea all hot."

If data shows a regular lull in activity, show them you understand their cycles by offering special events during those quiet times, such as a free IT review by a bank IT specialist (because you overheard a comment about their IT situation) or an afternoon with the customer's finance staff going through **their personal finances**. Little things, right? This is what big-data does, it finds little things which make a big difference.

6. **Do some of their analysis for them.** Reporting "big data" back to the very customers who created it can be very powerful, and even generate fee income. Simple examples:
 - Show correlation between their sales revenue and external data like stock prices, commodity prices, home sales, social media comments.
 - Report on their customers, gleaned from payee names on payments. Look for repeat customers, biggest buyers, most frequent buyers. Even one valuable insight that a company can use to improve their business will be above and beyond, and get a great referral. The company probably knows a lot of this already, but the value is still amazing that a bank would be that engaged.

Do this for a few months, and then ask for referrals. Here's a sense of where referrals might evolve:

- From: "They do good quality work."
- To: "They do good quality work, and they're so attentive to us they recently noticed something about one of our customers that led to a big sale. And our finance staff absolutely loves them!" (a much more powerful referral).

Bringing in more customers in one industry helps bring in customers in all industries. Success with customers breeds success with customers. It's always been true, but now with the web broadcasting customer sentiment so effectively, it is more true today than ever.

This is just one tiny example of using data to make better decisions. This example assumes the strategic question was, "How can we grow C&I through referrals?" Other questions where a big-data approach can improve things quickly: "Why does it take so long to process a mortgage?" "Why is our retail deposit portfolio shrinking?" "Why do we have such a low percentage of millennials?" "Why do we lose technology firms to XYZ bank?" The answers will come from detailed data analysis, not a coffee conversation at the management table.

Finally – remember the joke about the two guys running away from the bear? One says, "I don't have to outrun the bear, I just have to outrun you." Same here folks. The key is to build a relationship that just needs to be ***better than*** all the other banks. Big Data can give that edge, if the bank is creative enough to look there.