

Who's Afraid of Big Data?

Large banks collect and analyze massive volumes of information for marketing purposes. But is this process too large and costly for community banks? Extraco Bank, Temple, Texas, suggests that it's possible to inexpensively glean useful intelligence from even modest amounts of data.

BY WALT ALBRO

TODAY, PRIMARILY LARGE BANKS USE BIG DATA AND ANALYTICS. Community banks mostly have shied away from them because of the perceived expense and need for specialized manpower and resources.

But some community banks have embraced the concept, at least on a limited scale—arguing that valuable data collection and analysis can be achieved with minimal expense or added manpower. An example of such an institution is Extraco Banks (assets: \$1.2 billion), Temple, Texas.

“We don't think of it as 'big data,’” says James Geeslin, vice chairman of Extraco Banks, “It's more like 'small data'—data that many financial institutions have not yet learned how to use properly.”



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Extraco Banks supported its data-based Signing Bonus campaign with in-bank signage, outdoor billboards, targeted direct mail, and email and radio ads. Shown here is an example of lobby signage.

Retail and commercial applications

Extraco, a family-owned bank, has 19 locations south of Dallas in Central Texas. In addition to basic banking, it also offers ancillary services such as trust, insurance, mortgage and small-business technology solutions.

Like most community banks, Extraco collects a lot of customer and transaction data. But unlike many other banks, Extraco identifies and evaluates selected data and uses it to enhance marketing—and to augment revenue.

Below are two examples of ways that Extraco uses its data, one involving the retail side; the other, the business side.

Signing Bonus campaign

A current popular catch-phrase in the industry is “big data and analytics.” This refers to the gathering of large amounts of customer data and its analysis by computer to uncover customer transaction patterns and trends to enhance marketing activities such as cross-selling.

One recent retail-side use of data analytics at Extraco involved a campaign called Signing Bonus, which was designed to boost interchange fees on signature-based debit-card transactions and also to graduate customers with other types of debit-card accounts into the bank’s Bonus Banking account, which provides cash back on all signature debit-card transaction

The program uses debit-card transaction data as the guide for financial incentives designed to encourage targeted debit-card holders to make more signature-based transactions.

For community banks, the data is already there, and many are using it for marketing in one form or another. What is different about Extraco’s approach is that it is not a one-shot campaign targeted at a narrow category of debit-card holders. Instead, it scrutinizes data from the whole spectrum of debit-card customers who are offered an ongoing array of offers and incentives. The program goes beyond giving incentives to customers who make a below-average number of signature-based debit-card

transactions. It also offers incentives for those who already make some signature-based transactions in order to encourage them to make more.

The bank started by examining all the debit-card data and dividing its customers into two categories: those who had a debit card and those who did not. Those with a debit card were further subdivided based on their level of usage: those who rarely use their card, those who used it on occasion and those who used it often. Finally, each usage category was examined to see how many transactions were PIN-based and how many were signature-based.

Here is a breakout of the different categories of targeted customers and the type of progressive email or snail mail message sent to each:

- **Customers with no debit card:** Message No. 1 encourages them to get a debit card. Message No. 2 urges them to use the debit card. Message No. 3 asks them to use signature-based debit transactions. Message No. 4 prompts them to convert to the Bonus Banking account where they can continue to earn cash back on signature-based debit transactions after the Signing Bonus campaign ended.
- **Debit-card customers with no to low usage (average debit transactions of zero to 10 times a month):** Message No. 1 urges them to increase debit card usage. Message No. 2 encourages them to use signature-based debit transactions. Message No. 3 asks them to convert their account to a Bonus Bank account in order to continue earning cash back on signature-based debit-card transactions after the campaign ended.
- **Debit-card customers with no to low usage who conducted only PIN-based transactions.** The same messages as in item No. 2 above, with a targeted message supporting the use of signature-based debit-card transactions (with customer education on the benefits and the security advantage of signing rather than entering a PIN number).
- **Debit-card customers with medium usage (11 to 25 uses a month):** Message No. 1 urges increased use of signature-based debit-card transactions. Message No. 2 encourages conversion to a Bonus Bank account to continue earning cash back on signature-based debit-card transactions after the campaign ended.

Incentives varied by category. Customers without debit cards, for example, were offered a cash bonus to accept a card. Those who had a card but used it only infrequently were offered cash-back based on the number of signature-based transactions made within a specified time period. The various incentives for different categories were offered at different times and not all at once.

The program included incentives for bank employees as well. Tellers were offered rewards to promote the program to targeted customers. Employees would explain to customers that by using the signature-based cash-back incentives, they could actually earn more than they would if they put the same amount of money in a certificate of deposit.

A Big-Data Based Marketing Effort Expands into a Merchant-Funded Rewards Program

Extraco Bank, Temple, Texas, extended its Signing Bonus marketing campaign by creating a merchant funded rewards program called ExtraRewards. ExtraRewards is just one more boost to the strategic effort to raise bank revenue by encouraging customers to make signature-based debit-card transactions.

Under ExtraRewards, debit-card customers who make a signature-based transaction at participating local merchants receive a cash-back reward. Participating merchants are Extraco Banks' business customers.

Extraco provides marketing tools to participating merchants to advertise the program, inciting the bank's customers to use their debit cards as a credit transaction at the retail outlet. Thus, the merchants fund the extra rewards provided to bank customers.

Extraco showcases each merchant on a microsite, www.extracobanks.com/rewards, highlighting their participation and the specific rewards available from the retailer.

The bank also promotes ExtraRewards through its transaction/ATM receipts. The bank sends out email blasts to customers as new merchants are added.

The bank advertises daily specials to customers via Twitter and recently ran two radio campaigns to support participating businesses.

"Our commercial and small-business customers are thrilled with this program," says Lindsay Green, senior vice president and managing director of Extraco Consulting, "as they have stated that it is the only marketing they do that they can truly quantify the results—as they only pay the cash back on purchases our customers make at their business...."

"Everybody wins," Geeslin says. "The customer, the bank and bank employees."

The bank's interchange income increased by 5 percent 90 days after the program's start and has been rising ever since. "We're actually surprised that a lot more community banks are not using a program like this," Geeslin says. Extraco's marketing campaign was intended originally as a one-time effort, but it proved so successful that it has now become permanent.

Geeslin adds that program has continued to prove itself as a reliable use of big data as a revenue-raiser. "We plan to ride this horse until it bucks us off."

Customer Retention On-boarding Program

About five years ago, Extraco inaugurated a big data program for business customers. The initiative is called the Customer Retention On-boarding Program (CROP).

The idea was to generate specific information about each commercial customer and then to share the information with other bank subsidiaries in order to facilitate more cross-selling.

Those who had a debit card but used it only infrequently were offer cash-back based on the number of signature-based transactions made within a specified time period.

The first step was to sell the concept to top management. Organizers recognized that the program would not succeed unless there was a high level of cooperation among various parts of the institution—and that cooperation was only possible with top-management buy-in.

The next move was to assign one person to oversee the customer relationship management (CRM) system to ensure that the information there was centralized, always up-to-date and readily available to the right people. Next, the bank developed a process in which relationship managers made on-site visits to commercial customers. These visits were not for selling but rather for information-gathering. An initial test program targeted

This is an outdoor billboard used as part of Extraco Banks' Signing Bonus campaign.

The more you sign,
the more you save.

EXTRACO
Signing
BONUS

www.extracobanks.com
Member FDIC



Targeted direct mail and email messages were changed as data showed that customers had changed their debit-card usage pattern. Shown is a message to users of two types of accounts (Bonus Banking or Business Bonus Banking) who were either not using their debit card or using it by entering a PIN.

only one category of commercial customers: small-business owners. The thinking was that small-businesses owners were the ones who visited the branch least often and, thus, would benefit the most from personal visits. “This gave us an excuse to make another customer touch,” Geeslin observes.

In the past, if relationship managers visited a customer, they might gather information about the customer for their own exclusive use: things such as the type of business, the type of financial needs the business had. This information, however, was rarely shared with other business lines.

The key to Extraco’s approach was to develop a template containing a specific list of questions that could be loaded on a tablet computer. The relationship managers would take the tablet with them on their calls and type the answers directly into the device. All the questions were designed to be simple enough that the small-business owner could give replies off the top of his or her head without the need to refer to someone or something else. Examples: Who is your banker? Where is your primary checking account? Who manages your retirement accounts? Questions cover a wide variety of areas. For example: What type of computer system do you have? The answer might be of interest to the bank’s small-business technology solutions subsidiary.

Extraco’s marketing campaign was intended originally as a one-time effort, but it proved so successful that it has now become permanent.

The primary purpose of the information visit is to find a reason for the caller to return for another conversation.

Once the relationship manager gathers the information, it goes directly into the CRM system, where others can view it. The relationship managers have regular joint meetings with other business-line representatives where they review and discuss updated customer information. Someone from trust,

insurance or small-business technology might see information that suggests a cross-sell opportunity. “They might find a warm lead for new business,” notes Geeslin. In this case, one of the representatives might offer to partner with him or her and return to the customer for a follow-up conversation together.

The biggest challenge in implementing the approach was to change the existing proprietary attitude that made relationship managers reluctant to share information with people from the bank’s subsidiaries. “The relationship managers might have a couple of reasons for not wanting to share information. One might be that the original relationship would get messed up by the introduction of a third party,” Geeslin observes.

Extraco approached the problem as an issue of cultural change. Top management clarified that it was of strategic importance that relationship managers in the future share information and partner with people from the subsidiaries in order to grow bank revenue. Even so, it took six months of training and persuasion before everyone felt comfortable with the approach.

Extraco made the transition slowly. It double-checked the list of customer questions to ensure that the bank was getting all the necessary information, and it began the visitations on a limited scale—and then carefully reviewed and evaluated each test visit.

One advantage to CROP was that investment costs were minimal. “All you need is a CRM and a few iPads that the relationship managers use to collect the information,” says Geeslin. “We bought a few iPads for those who did not already have one.”

After 18 months, the program began to achieve a noticeable increase in cross-sells. At that point, Extraco expanded the program beyond small businesses to include all commercial customers.

Geeslin says the program is an example of how community banks sometimes have information that other people in the organization could jump on to expand revenue, but the organization fails to share the information. “Most bankers just don’t think about the ways they could use the data they already have.” ■

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