Organizing Sales & Marketing Data to Improve ROI

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Over 400 years ago, Francis Bacon said "Knowledge is power. If knowledge is utilized properly it yields money which is power in today's times." The same is true today. Knowledge is more important than ever in the business world and has led to much more effective sales and marketing through the use of customer, prospect, officer, branch and market information and analytics. Today, bankers can be equipped to answer questions like: "Who are my best customers?", "Who is most likely to buy?", "Which sales officers need coaching?", "How many new customers did we get last week?", "Which branches have the most untapped opportunities?" and many more.

The raw material of knowledge is data. It becomes knowledge when placed into context and combined with the experience and creativity of people. Banks are awash with data, but data needs to be organized and accessible. The accessibility is provided by business intelligence solutions like SNL Banker. This paper will discuss three key ways to organize data for sales and marketing purposes: Householding, Product Grouping and Household Assignments. These form the foundation for understanding the customer relationship, assessing customer opportunities, establishing new goals and assigning responsibility for execution.

HOUSEHOLDING

Householding is the process whereby individuals or businesses are linked to all their customer accounts and are then brought together as joint decision-makers whenever it makes sense. For example, Jo Smith owns a savings account, Josephine Smith owns a mortgage and Jossie Smith owns a credit card. If there are common data attributes (e.g., email address or tax ID), these three different names can all be brought together as one person with three accounts. If Josephine has a joint checking account with Alex Mays and shares an address and phone number, they can be brought together as a household. Similarly, if three businesses are owned by two people, those three businesses can be separately identified as customers but can also be brought together as a household if there is enough visible evidence to link them together. Householding software uses account information such as tax ID or name and combines it with special lookup tables (e.g., nicknames) to process business rules which define individuals, households and addresses. Each of these outputs is given a special key or number that does not change over time. Plus, each of these keys is attached to every name and account on the system.

A Typical Household with Multiple Customers and Accounts

Constant HouseHold Key	Name	Product Category	Product Family	Product Name	Account Number	Account Status	Primary In Household
000651089	DESIRAE MONROE	Deposits	Checking	REWARD	49769	Active	1
000651089	DESIRAE MONROE	Services	Services	Bank Check Card	182484	Unknown	0
000651089	EMERSON SOLIS	Deposits	Checking	REWARD	49769	Active	0
000651089	EMERSON SOLIS	Services	Services	Credit Cards	127750	Unknown	0
000651089	EMERSON SOLIS	Services	Services	BankLink	201213	Unknown	0
000651089	EMERSON SOLIS	Services	Services	Bank Check Card	181757	Unknown	0
Subtotal: 000651089	*2*	*2*	*2*	*4*	*5*		

For SNL Banker, a super household key is also produced—more on that later.

Above is an example of a simple household. The constant household key is shown but the address key and customer keys are not displayed. These two individuals, who do not appear related based on their name, share an address and own a joint checking account together. Note that Desirae does not own a credit card with the bank even though Emerson has one. Since credit cards are sold and used individually, a great cross-sell opportunity is to identify all households with two or more adult customers but only one credit card.

If the sales force has access to this view, their pre-call planning can be done in record time. The relationships and products held in the household can be quickly viewed prior to calling the customer. Householding also saves time at the front line by reducing double-calling efforts. There is no reason to approach Desirae and Emerson separately to sell a mortgage or home equity line. Systems like SNL Banker perform householding weekly and update account information nightly to ensure that bank officers have up-to-date views of their customers. This saves time, and more importantly, provides officers the data they need to be more effective in their role.

With householding, executive management can assess and set goals for both adding new households and reducing lost ones. They can compare the number of new and lost households by branch or officer and design campaigns, refocus on customer service or coach employees to increase the number of net new households (i.e., new minus lost). Executing an onboarding process for new checking customers is a best practice that reduces attrition. Call the customer in a week to make sure all materials have been delivered (e.g., checks, debit cards) and call again in a month to sell more products and inquire about service delivery. Establish goals to sell some key sticky services such as bill pay at the time checking accounts are opened. It is easier to track what occurred when customers and households are accurately identified.

SNL Banker also links individual households together into super households based on joint account ownership (e.g., someone in Household A owns a joint CD with someone in Household B). Just as a customer key can only be assigned to one household, a household key can only be assigned to one super household.

Super households can inform both your retention and sales strategies. On the retention side, it's important to review the super household composition before doing something that negatively impacts a particular member of that super household. For example, if a young person asks for an NSF waiver, one thing to consider is if he or she is tied to other individuals or households that are high value relationships.

On the sales side, someone like mortgage bankers can view their customers to see who else they know. If the bankers have a good relationship with these customers, they may be able to refer them other members of the super household.

PRODUCT GROUPING

The product grouping process aggregates bank products in increasingly broad levels. Banks sell hundreds, even thousands of products (e.g., 30-day Jumbo Step Rate CD). Sifting through all the products is tedious and time consuming. Different levels of aggregation help bankers discover sales opportunities and coaching opportunities that could be easily overlooked. For example, a bank's Senior checking account could be categorized as a non-interest checking account, more broadly as a checking account, and even more broadly as a deposit account. Think of these as levels with deposits at level 1, checking at level 2 and so on. Each level of aggregation offers a different perspective and may also involve a different sales force. Certainly, product managers will also want access to the most granular products, and that is provided within systems like SNL Banker.

A key performance indicator is the cross-sell ratio (i.e., the number of products or services per customer or household). The cross-sell ratio typically counts the number of product types a client owns rather than the number of accounts. Every bank seems to calculate this differently so it is very hard to compare them bank to bank. For example, some banks count virtually every account so that if a household has three CDs and a checking account, their cross-sell number is four. Other banks may look at that same household and say their cross-sell number is two (they own CDs and Checking). Another bank may look at that same household and come up with a cross-sell of three if the household has two 90-day CDs and one 180-day CD. If SNL Banker clients organize their product level definitions fairly consistently, it is much easier to show and understand peer comparisons and develop meaningful goals.

SNL has developed a recommended aggregation schema. These recommendations are based on a number of factors such as:

- whether the products are substitutes for one another,
- whether there tend to be different sales forces supporting the products,
- whether demand estimates are available from outside parties at a particular level of aggregation (e.g., demand estimates for equity credit are readily available but demand estimates for 100% equity lines are not so one level of aggregation is all equity credit),
- how regulators view product aggregates (e.g., per FDIC reports), and
- whether some key business areas would be over- or under-counted based on the business rules (e.g., insurance, with many product categories like life or property insurance and variations within those categories, should not be at the same level as non-interest checking with only a few product offerings).

First Level of Product Grouping

Retail Products	Commercial Products
Deposits	Deposits
Credit	Credit
Investments	Business Services
Insurance	Insurance
Ancillary	Ancillary

Ancillary products include items such as debit cards or bill pay — important to the bank but the customer does not think of them as "products".

Business Services include areas such as Treasury Services, Merchant Services or Capital Markets.

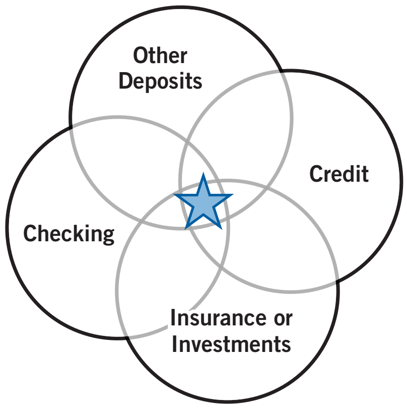
The broadest, first level of product aggregation is above:

It is useful to look at cross-sell at all levels, even the broadest. For example, how many commercial households have a credit relationship without deposit accounts? Since attrition is highest among those with fewer products, how much is it worth to keep the credit only customers? Does this call for a campaign to cross-sell other products?

Some banks focus attention at level 1 or a layer down to define a "sweet spot" they want to target. What percent of retail household have deposits, credit and either investments or insurance? What percent should the bank target? A hybrid model with checking is shown since checking is critical for defining a bank as the customer's primary financial institution.

It is impossible to present a full model in this summary whitepaper. Please ask a SNL Banker adviser or sales professional for more details.

The sweet spot for a bank is defined as households with checking, other deposits, credit and either insurance or investment products. The intersection of households meeting these criteria is represented with the star.



HOUSEHOLD ASSIGNMENTS

Household Assignment is the process of assigning accounts, customers and households to the appropriate branch, officer or channel for sales and/or service responsibility. These assignments are often not present or correct on existing bank systems. For example, a customer may have opened a checking account at Branch A fifteen years ago but has moved and is now using Branch B for all their banking needs. The GL system will assign the checking account and hence customer to Branch A. The branch that can best impact future sales and service satisfaction is Branch B. Similarly, sales officers come and go over time so the assigned account officer may no longer be relevant. It is important to know where to send a lead list for sales and who to hold accountable for excess attrition if service is poor. It is also useful to evaluate the assigned household "book of business" for cross-sell opportunities.

Best practice is to assign each household to a branch, except those living well outside the service area or households that do not consider themselves bank customers (e.g., they only own an indirect loan). Assign even those households that opened all their accounts online. If possible, use branch and ATM transaction data to determine which branch will be the primary branch, usually the branch frequented the most by key household members. If transaction data is not available, assign the branch with the most recently opened accounts. If there are no branch opened accounts, consider the household location to find the nearest branch.

For officer assignments, match assigned officer keys on bank systems to current employees and their job titles. If the employee is no longer working as the relevant officer, assign the household to the relevant managers and let them reassign on the system. Identify job titles that are generalists and assign as many households as practical to those generalists (not more than they can handle). Identify officer types who do not service customers and assign their customers to the appropriate service area (e.g., assign all mortgage customers to the mortgage phone unit for service).

Much more information is available on this topic, but the key is to hold the appropriate people accountable for sales and service and be able to review and compare correctly assigned books of business to find cross-sell and coaching opportunities.

SUMMARY

With Householding, Product Grouping and Household Assignments in place, banks can efficiently find and pursue cross-sell, up-sell, activation and retention strategies. Householding allows accurate and easy views of the full customer relationship; however, the household needs to be assigned to selling and service officers and channels in order to execute those strategies. Plus, it is easier to find the opportunities when products and services are grouped together or bankers will miss the forest for the trees.

Many types of reports are available or can be created to show cross-sell, up-sell, activation or retention opportunities. For example, Officers 1 and 4 have a 5% penetration of credit cards into their books of business, but the average is 15% for similar books of business. As another example, 40% of commercial households only have one product or service, so the single product loan customers are targeted with a special offer. Once the opportunities are identified, lists can be produced and sent to the appropriate channel or person. The underlying infrastructure required for these reports and more is Householding, Product Grouping and Household Assignments.

SNL Banker

To learn how SNL Banker can help you use data to improve your sales and marketing ROI, contact: Julie Jones at 434.951.4419 or Partners@SNL.com.