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The Heart of Marketing [Credit Union Management]

(Credit Union Management Via Acquire Media NewsEdge) How MCIF and CRM can improve a credit union's bottom line.

Are you getting the most out of your marketing customer information file system? While MCIFs have been around for more than 20 years, some CUs don't realize just what an amazing tool they have. Gene Palm, president/ chief operating officer of Profit Resources (www.profitres.com) a profitability software and consulting firm in Lakeland, Fla., remembers when they first came on the scene. MCIF systems were marketing databases- but with a difference.

"They started probably in the late 1980s," he recalls. "By the early 1990s, they were pretty well established. They take a variety of different sources of data, and they use a householding algorithm to look at it from the standpoint of the household. In other words, if Mr. Smith has a member number and has four or five different accounts with the credit union, and if Mrs. Smith has a different member number with a couple of accounts, then those particular software products can take a look at the last name and the address and they can put those two people in the same household. That's what an MCIF does, and there's all sorts of research it can do based on that." That research includes the ability to calculate how profitable certain members (or households) are for the credit union.

It also includes determining what mix of products and services is most profitable for a household, and which products might be well received in certain households at certain times.

MCIF is also extremely useful for calculating the ROI on campaigns, so the marketing department can demonstrate it's earning its keep.

Although it is usually the domain of the marketing department, various departments within a credit union can use the MCIF to make business decisions ranging from the minor (whom to target in a direct mail campaign about auto loans) to the earthshaking (where to build a new branch).

CRM, or customer relationship management (sometimes member relationship management in the credit union world), is a type of software that distributes MCIF data throughout the organization, combining it with information from the core processing system and from daily interactions with members, making the aggregate data available to member-facing employees.

CRM's purpose is to organize sales and member service activities so the whole credit union is on the same page.

When talking on the phone with a member, a call center employee using a CRM system will know how long the member has been with the credit union, how many times she has called the CU recently, the balances of her accounts, what products other employees have discussed with her, which products ought still to be suggested, and how profitable the relationship currently is for the organization. Armed with this information, employees can more easily attract, support and retain members.

"The MCIF is the brain, the analytical tool, usually in the back office, and then the CRM is the distributive tool,"

Palm reiterates. "The MCIF is . . . more for decisioning purposes of what things to sell to whom, and the CRM is going to be used more for day-to-day management. You can use CRM for sales tracking and lead tracking, too." Jay Kassing, president and owner of CUES Supplier member Marquis (www.gomarquis.com), an MCIF and CRM service bureau in Plano, Texas, says credit union employees often feel pressure from members to waive fees. A CRM system can tell them whether that's a good idea (in the case of a member who just got careless and bounced a check, but whose accounts are generating thousands of dollars in profits per year) or a bad idea (for a member whose accounts cost money and whose repeated overdrafts are becoming a pattern).

"It's OK to say 'No, I'm not going to waive fees,' on those you make no money on," he says. A lot of member accounts don't make, or even lose, the credit union money, he says. "If 40 percent of the relationships only have one product, the odds are, the majority of those relationships you're not making enough money on. We're not banks. We don't have a profit motive. But if we don't make profit, we can't keep good people, we can't send them to additional training, we can't buy better technology that serves better, we can't produce products at a better rate that allows us to be competitive." \$3.2 billion/94,000-member United Nations Federal Credit Union (www.unfcu.org), Long Island City, N. Y., has used an MCIF system for more than 12 years. The CU doesn't own a CRM package, but VP/Marketing Debra DaCosta, a CUES member, says she takes much of the data from CUES Supplier member Harland Financial Solutions' Touché analyzer application (www.harlandfinancialsolutions.com) and distributes it to the front lines in much the same way a CRM system would. It is available onscreen for member-facing employees so that they can use the information to cross-sell, solve problems, etc. Nevertheless, it's the backend research that DaCosta says has really made a difference to the institution.

"When I think of all the research studies we've done, when I think of all of the information and reports that we pull to assist senior management and the executive office in determining or making decisions on where we should focus, all of that is tied into the MCIF system," DaCosta says. "Very often, in a lot of other organizations, there's such a focus on leveraging [MCIF] for promotional use. But for us here at UNFCU, it's really the core of the department. It helps us make strategic decisions. It's for business development. It's for PR and media. It's for our online channels, and moving and utilizing a new channel such as social media. It's definitely been beneficial to the institution." Many Happy Returns How does it work in practice? UNFCU CRM/Research Manager Jamie O'Donnell says the credit union's MCIF system was the key to a new product launch in October 2010. The campaign used MCIF data to identify affluent global travelers - members who, according to demographic and psychographic data, would be most likely to be interested in a premium card with an annual fee.

"Based on member feedback and member research, we developed a new credit card product, our Visa Elite Smart Chip and PIN product," he explains. "We used a lot of the MCIF data variables to set up the target segmentation schemas. When we executed the campaign, we had a great response rate. We had about a 3 percent increase overall with our direct mail and email initiatives. That generated about a 300 percent year-over-year increase in applications in general for the overall credit card portfolio. So as you can imagine, that had a significant impact on our bottom line. The campaign was a great investment. We certainly saw our return, and we continue to do so today." Marketing departments are often seen as a cost center, he says. But his department is able to frame its marketing spending as an investment, because it can quantify the campaigns' impact on the bottom line.

\$350 million/30,000-member Citizens First Credit Union (www.citizensfirst.com) in Oshkosh, Wis., has used MCIF for more than 10 years. Its core system vendor, Summit (www.summitfs.net), supplies a reporting package called Visimage that allows the credit union to mine its database. And for the past eight years, Citizens First CU has also used an MCIF solution from CUES Supplier member Raddon Financial Group (www.raddon.com), Lombard, Ill.

"We needed to really understand who our members were and develop not only marketing, but products and sales-related services that could help us reach the right people with the right product at the right time," says VP/Marketing and Business Development Cheryl Kaczmarek, a CUES member.

"We can use the database to find out all kinds of things, like who our most profitable members are. We can look at what's the next likely product that they're going to need. We can generate mailing lists based on different product variables, so that we can do very targeted, intelligent marketing to them. We've used it to make decisions about the hours that we are in operation at what locations, based on where the members are coming from, and why they use our branches when they use them," Kaczmarek says.

The CU's marketing department uses MCIF so much that it has hired a full-time person with the title "market research and CRM specialist." The employee generates reports for the sales area, the mortgage department, the CEO and the CFO, so that they can make better decisions based on real data rather than gut feeling.

Palm says one of his credit union clients asked Profit Resources to pull a list of its 1,000 most profitable members. After handing over the list, Palm asked what the CU wanted it for.

"It turns out they started their own private banking division," he says. "They've hired a brokerage guy to come in and mine that list - not only to retain those relationships, but to make those relationships a lot more profitable by saying, 'Why don't you bring your entire book of business over to us?' That's the name of the game today. That's how you grow organically. And if you don't have the business intelligence or the analytics, there's not any way to really do that." MCIF makes it easy to quantify the marketing department's ROI on new products and marketing campaigns. But what is less easily quantifiable is the way MCIF helps credit unions take advantage of situations that would otherwise represent opportunity costs.

DaCosta says UNFCU used to use its MCIF just to pull direct-mail lists. But around the time it started building a lot of international offices, the credit union started using its MCIF more for market segmentation, realizing that if it didn't know who its members were and what they wanted, it would lose business.

"We're able to track their acquisition of products, and actually do an analysis of what's missing," she explains. "In some circumstances we have discovered that members in some locations didn't have e- statements, and they were outside of the U.S. in remote locations. They were waiting for their mail through UN. pouch, which sometimes can take a month or two months to arrive. So we were then able to really discuss that particular service with those members, and try to crosssell it. That's just one example, but there have been many like that." Palm says if you don't use MCIF to find out who your most valuable members are and do everything in your power to serve them, you leave them vulnerable to poaching by other institutions.

"In today's environment, there are a lot of really motivated banks, and even other motivated credit unions, that want your best members," he warns. "And they do have those tools. They'll start really pumping on resources to get those members to come over, and if all the member has with your credit union is one service, they're ripe for the picking. So that credit union could lose \$20,000-30,000 worth of profitability in the course of a year.

"That's what we're talking to people about, is to really develop relationships with the people that are paying your bills. If you don't know who they are, you're opening yourselves up for some serious cherry-picking." Humans and Resources Despite the usefulness of marketing database software, Palm says most credit unions don't use it.

"I don't have a number to prove it, but I would say the vast majority of credit unions, maybe 80 or 90 percent, don't have any tools at all," he says. "They don't have an MCIF, they don't have a CRM. They really don't know how profitable their members are. They don't know how profitable their products are or what to sell to whom." Why? The main problem is money. Not only are software licenses costly, but most vendors and users feel that it's impossible to get the full benefit from these systems without devoting at least one full-time person to their use and maintenance.

DaCosta says that's what made the difference at UNFCU: Hiring O'Donnell meant the credit union went from merely pulling lists to segmenting its membership and using the intelligence to make business decisions.

"In financial institutions, the credit unions and the banks, what we hear probably more than half the time is that they don't have [a CRM or MCIF system] and wish that they did," says Steve Kutilek, president/CEO of CUES Supplier member Customer Service Profiles (www.csp.com), an Omaha, Neb.-based consulting firm. "But it's about resources. There's no question that this type of product has to have an owner. Without that person who owns it, knows it, and can keep it in front of the management team, it's not effective." Smaller CUs Kaczmarek says MCIF can be feasible for a smaller credit union, but it's important to have someone on staff who loves analyzing information and extracting meaning. Citizens First CU has a CRM/MCIF specialist on staff who not only has a marketing degree and plenty of IT aptitude, but has a history of working as a teller and a loan officer, so she understands the implications of the data. Kaczmarek says the employee is incredibly valuable for both her knowledge and her enthusiasm.

"You need somebody who is turned on by getting into the data," she says. "You can have facts up the ying-yang, but if you don't understand how to use that information to make a smarter decision, or to plan a better marketing campaign, or to help your sales force do a better job of selling a product, then it's useless. It's just a lot of money down the tube." If a credit union can't afford to hire a fulltime person for this task, it may be better off buying a very simple system, or outsourcing its database analysis to a consultant, an MCIF service bureau, or a profitability consulting firm. Sometimes even larger institutions prefer to have an external party analyze their data, just for the sake of getting an outsider's opinion on their problems, strengths and strategies.

O'Donnell says to make a good MCIF decision, a credit union has to be honest with itself about whether it has the resources to handle it internally, and about what it wants to do with the information. Sometimes a CU may have unique needs that guide its decision.

"Customization was important for us," he says. "At UNFCU, we have a very unique membership and audience that we're targeting, being that we're promoting products and programs to over 204 countries and territories. We needed a vendor that could be flexible when developing not only customized fields, but also accepting customized data points into the database itself." He adds that credit unions should also think about how far they want to take the technology over the long term.

"We currently don't use it as enterprisewide CRM, but we do push a lot of the data out to the front-line staff," he says. "A lot of the marketing database solutions do have add-on caps for CRM modules, which you can push out to your tellers, your member service representatives. We're not currently deploying it enterprise-wide, but that's certainly something we are possibly considering for the future." What determines success or failure with marketing database solutions, Kassing says, is not the size of the credit union, but its clarity of purpose.

"I think if you have clear goals and objectives for what you want the MCIF to do, a small credit union can accomplish as much as a big one," he says. "We've got small [clients] under \$100 million that are knocking it out of the park. The main thing about an MCIF is that the information that's in there can be of great value [to the whole institution]. The guys who are running the sales and business development side would love to see what good members look like, what the best opportunities may look like. It's a great opportunity to bridge marketing and sales, to start working together instead of in two separate places. It's a great way to align." "[Our MCIF system] helps us make strategic decisions. It's for business development. It's for PR and media. It's for our online channels, and moving and utilizing a new channel such as social media. It's definitely been beneficial to the institution." Debra DaCosta Resources Read more articles about marketing when you search atcumanagement.org/archive.

Jamie Swedberg is a freelance writer based in Athens, Ga.

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