



## The Secret to Winning? Grasping a better understanding than competitors ... And mastering the flawless execution of those insights. By David Wagstaff

**Bank executives have seen their world transform from a paper-based environment to an electronic age in which leaders increasingly recognize value in what they can glean from digital information.**

But with so much digital data, the greatest challenge is in finding a way to distill it all down and extract real-world insights that can produce tangible value.

To manage this massive influx of information, many bankers purchase and install complicated and cumbersome technology, like Customer Relationship Management (CRMs) or a hefty suite of Business Intelligence tools—only to find they aren't receiving the value or the insights for which they had hoped.

What many seem to forget is that some of the most useful insights may not even exist in electronic form. They might not be found within the bank's systems or data warehouses.

In a digital banking world overflowing with a sea of electronic information, how does one capture quantitative data and qualitative data about everything from operational efficiency, and financial results, to employee performance and customer behaviors—without relying solely on electronic data?

And how can one reduce that flood of disparate data into crystal clear insights that can manifest into actions... Actions that can actually produce net income?

**To consistently produce actionable value from your qualitative and quantitative information, you need a strong, skilled team that understands both the business and the technology.**

#### **The “secret” ingredients for success:**

- Asking the right questions.
- Collecting qualitative information by talking to management, employees and customers, and by reviewing marketing and pricing materials.
- Understanding the broader industry, industry trends and evolving business issues.
- Being proficient in statistical analysis, the technology available to mine the data, and be able to conduct complicated analytics and produce visually appealing insights that are easy to understand.
- Having the right resources and enough time to turn the data into insights.

#### **A Case Study:**

##### **The Background**

A community bank with a rich hundred-year history faced stagnate growth, an aging client population, several years of declining income and a fairly new CEO who wanted to improve financial performance while making a difference in the communities the bank served.

The management team worked well together, but had largely been engrained in the bank’s standard ways of functioning.

After a few discussions, they decided it would be of great value to get an outside perspective on what was going well—and what they might be able to change—so they could improve earnings and growth.

#### **Insights and Opportunities**

Working closely with management, the consultants determined that the best approach to building a solid foundation of facts was to combine consulting with data analytics.

The consulting activities would facilitate the discovery of qualitative information, like branch personnel friendliness and knowledge; the data analytics would provide a comprehensive understanding of the bank’s customers and insights into performance, including trends, account and product profitability, customer demographics by branch and product choices, among several other crucial components of the business.

#### **Approach—Team Processes:**

- Interviewed the bank’s management team, operations staff and branch employees.
- Spoke in-depth with product specialists to understand how the bank was positioning unique products.
- Conducted mystery shopping of the bank’s branches and of competitors.
- Collected marketing materials and reviewed product pricing.
- Amassed transaction, customer, and account information and built analytic models that revealed historical information and trends, resulting in a better sense of both the high level picture and the detailed view of performance by product lines and channels.
- Ran regression analysis on the collected information to understand common attributes and correlations within the data.
- Sought to understand loyalty and to understand which products and service might be the best fit for this bank’s customer.

## Value Creation—Team Findings:

Current customers may be the source of profitability today, but without a healthy pipeline of happy new customers coming in, future returns will fail. So you need to stand out and you need to spend your resources wisely. If you measure ROI on each dollar invested on gaining new customers, the results may surprise you.

The team revealed opportunities that were estimated to be worth more than \$2 million annually to the bank, representing a nearly 50% increase in performance from the previous year. The bank implemented a number of recommendations and just 18 months after the project completed it reported record profits.

Through this innovative blend of consultative and analytic exploration, the team found crucial areas in which the bank could improve, including:

- Pricing. Aligning product pricing with customer interest and behavior brought significant improvements to company profitability.
- Customer loyalty and retention. The team identified segments of customers that were likely to leave—and developed an action plan to retain those customers.
- Effectiveness of the internet channel. The bank was able to better reach customer segments that respond to internet marketing and services by ensuring all aspects of this channel were working efficiently and effectively.
- Product cross-sell. The team found a set of products that were a good fit for the bank's customer base, but that were actually being undersold by the bank—and of course, suggested a cross-sell solution to remedy this.
- Processing efficiencies. The team found that some of the bank's staff were overworked, while others were spending the majority of their time performing lower-value activities or simply checking the checkers. The team recommended a more balanced working environment that would boost productivity—and employee satisfaction—across the organization.

## Success in a digital age depends on more than what meets the eye...

**INSIGHTS that enable decisions + ACTIONS that drive higher income + PRODUCTS that align with customer demographics = A Winning Combination.**

### About the author

This article is provided by David Wagstaff, Managing Principal, Clarity FI, LLC. David and Clarity FI work with national financial institutions as well as larger community and regional banks in the United States and Canada.

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