



# YOU HAVE TO USE IT

BY DIANE FRANKLIN

The consensus in the credit union community is that marketing customer information files can be a powerful tool in enhancing profitability and performance. The unfortunate truth is that many credit unions are not making the most of their MCIF data.

Rich Weissman, president/CEO of DMA, reports that MCIF data should give CUs essential information about profitability that is needed to drive their business. “Our mantra is that only the most informed and profitable will survive and prosper,” says Weissman, president/CEO of DMA ([www.DMAcorporation.com](http://www.DMAcorporation.com)), a CUES Supplier member based in Beaverton, Ore., and a database technology and market research firm. “We work with our clients to better use MCIF and CRM,” he explains.

Weissman cautions that just having an MCIF system does not guarantee success. “Having the system is only step one. There are financial institutions that fail because they have an MCIF system but don’t do anything with it.”

Weissman likens the effectiveness of MCIF data to buying gym equipment. “You’re not going to lose weight unless you use it. Likewise, you need to use the MCIF data, month in and month out. You need to ensure you have the right information and are doing the right thing with that information.”

Ultimately, Weissman explains, correct analysis of MCIF data will lead to better decision-making. “Every pricing decision, every product, every campaign, every sales activity should come from what is indicated through MCIF. You should do promotions based on the analytics. You need to look at what works and track the results.”

## ENHANCING PROFITABILITY

One of the key ways credit unions can use MCIF data is to help them enhance profitability through analyzing and diversifying their “profit risk,” a concept that

**If you don’t work out on your exercise equipment, you won’t lose weight. Similarly, CUs have to leverage their MCIFs effectively or they’ll never reap the benefits.**

DMA developed. As Weissman explains, profit risk comes into play at: (1) the member relationship level, (2) the product level, (3) the market segment level, (4) the branch level, and (5) the staff member level.

“What we have learned over the years is that you need to look at profitability at each level,” Weissman says. “For instance, you may find that 400 percent of your earnings is coming from 10 percent of your members. Similarly, you may find that only two geographic areas are profitable, or two products or two SEGs or two loan officers.”

With MCIF data, the credit union can identify where the profits are coming from and take steps to diversify profitable streams to avoid a high profit risk concentration. Again, an analogy applies: that of a savvy investor who never puts all his financial eggs in one basket.

“With personal investments, there’s less risk if you have a diversified portfolio,” Weissman states. “The same holds true for credit unions. There is a direct correlation between diversifying risk and having better earnings. You have to run the credit union so that the profitability is diversified among members, products or markets. Otherwise, if one or two of your profit streams





go south, you'll find yourself in a meltdown."

Nicolette Lemmon, president of LemmonTree Marketing Group ([www.lemmontree.com](http://www.lemmontree.com)), a CUES Supplier member based in Tempe, Ariz., notes that MCIF analysis allows credit unions to focus on their most profitable members, targeting them in a way that will help leverage the relationship. "The idea of understanding who is driving your business is incredibly important," she says. "If 10 percent of your members are providing you with the majority of your profit, it's important to understand who those members are and touch them on a regular basis."

MCIF data analysis allows credit unions to understand their members on both a macro and micro level.

"It households all of the member data together—mom, dad and children—and also computes profitability," says Dennis Koepke, vice president of LemmonTree Marketing. "We can determine which households have which products and, maybe more importantly, which households do not have particular products with the credit union."

Koepke observes that proper utilization of MCIF data can help credit unions increase the share of business they have with their members, which is an ongoing challenge. "One thing that credit unions need to realize is that they don't have 100 percent of their members' wallet share," he says. "MCIF is a way to target the 10



percent most profitable members and get more of their wallet share.”

### A WEALTH OF INFORMATION

MCIF data analysis gives CUs a wealth of information based on the actual behavior of their members. “MCIF is a means

for market research,” says Koepke. “Some people think of market research as conducting surveys. Surveys tell you what your members are thinking, while MCIF tells you what your members are doing at your institution.”

LemmonTree Marketing has a strategic partnership with Marquis Software Solutions Inc. ([www.gomarquis.com](http://www.gomarquis.com)), using the company’s MarketTrax MCIF software platform to input a credit union’s member data on a monthly or quarterly basis and then analyze, profile and track the results. “We offer true data mining of member databases with MCIF,” Lemmon says. “There are all kinds of data that we can slice and dice.”

Koepke reports that some MCIF software has a mapping module, allowing the geographic depiction of almost any aspect of account, member or household relationships. Some software, including MarketTrax, has “open architecture,” allowing credit unions to append useful demographic and psychographic information. “The MCIF software gives us the ability to track results and compute ROI of campaigns to existing members. We can also merge lists of prospective members into the software and track results of our efforts to encourage these prospects to join the credit union.”

MCIF data also enables credit unions to assess the effectiveness of marketing activities, Lemmon adds. For instance, let’s say a credit union does an e-mail blast to promote a specific product. MCIF data will enable the credit union to target the people who, based on past behavior, activity or demographic, are more likely to respond to the promotion. “After the promotion, you can go back and look at what type of activity you had during the promotion,” Lemmon explains. “And then you can use this data to refine your approach for next time.”

Lemmon notes that CUs can use MCIF data on a quarterly basis to watch trends, observing overall member behavior in terms of product and service usage. She also sees the data as a great way to target new members/households, to segment direct mail and e-marketing member groups, and to analyze various segments, such as online

members, and target them for product and service usage.

“For instance, you can target those members who have a checking account but have yet to sign up for bill-pay,” she suggests. “The best part is evaluating the business captured from the targeted members beyond the promoted product or service. That to me is the value of MCIF analysis—seeing the whole picture of member business from those touched by marketing and especially the validation that credit unions have so much more to capture in financial business from their members than they first think.”

Overall, Lemmon sees MCIF as a great tool for “keeping your market flywheel going.” She sees this as particularly important in a down economy. “It’s that ongoing touch that we believe will pay off when the economy improves. The idea is to make sure you’re out there in front of them on a regular basis, so they know you’re alive and well.”

### INTEGRATING WITH CRM

MCIF is a separate concept from customer relationship management, but the two are inter-related. “For many folks, they are two different things, but we believe they should be fully integrated,” Weissman says. “The problem is that many treat them separately as if MCIF is here and CRM is there, and never the twain shall meet.”

MCIF and CRM cover different but complementary perspectives. “MCIF is looking at the member base from a macro perspective,” Weissman said. “It’s used at a higher level, to reprice products, to do sales tracking and so forth, whereas CRM is a day-to-day tool that manages individual contacts with members.”

Weissman notes that the linking of MCIF and CRM is important to make sure everyone is on the same page. “You’re working with the same data, but unless these two concepts are integrated, different conclusions could be drawn. Marketing could look at something and say, ‘This is great. Look at the volume we’re doing,’ whereas finance could look at the exact same thing and say, ‘This is terrible. Look at how much money we are losing.’ If you have a unified database, then the CFO and marketing/sales people will come to the same conclusion. They’ll be singing from the same song sheet.”

Lemmon also stresses the importance of CRM, noting that Marquis’ MarketTrax software has two CRM modules. “If the marketing department is targeting a most profitable group with a special offer, that can be pushed down to the front line for cross-selling purposes. The same applies to being able to download codes or

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information to a CRM or module within the core processing system from the MCIF software.”

## OUTSOURCING MCIF

Lemmon reports that using an outside resource for MCIF data analysis can be important, since credit unions often can't cover the full scope of services required through one or two employees. If done internally, the MCIF duties may be relegated to a market analyst, but turn-over can put the CU back to square one.

“Our clients have decided that they don't want to hire and train, hire and train,” Lemmon says. “Usually, a credit union has one person who learns the software, and if that person goes on vacation, typically no one else can run the software. We have a team of MCIF experts who know how to maximize the use of the software.”

Weissman concurs that credit unions achieve better results with MCIF if they have a third party help analyze and use the data. “Most credit unions cannot do it by themselves. They can't possibly hire everyone they need—statisticians, finance people, IT people, etc. You need a cadre of people, and credit unions only have a finite staff and budget. If they try to do everything that is needed themselves, they most often will fail.”

Going back to the gym equipment analogy, this third party is like a “personal trainer” who acts as a guide and motivator. “It may take someone to tell you to get on that treadmill and do the work that needs to be done so the equipment doesn't sit in the corner gathering dust,” Weissman explains. “People fail with MCIF for two reasons. No. 1, they think having the system is enough. And two, they try to do it themselves. We work closely with the credit union to do the statistical modeling, IT work and market analysis that is required.”

Measuring the results is equally important. “We regularly review results with credit unions' CEOs,” Weissman says. “It's important to have discipline and look at what you're doing on at least a quarterly basis. It's just like using that weight equipment. If you want to see how you're doing, you have to get on the scale.”

## CREDIT UNION PERSPECTIVES

Credit union executives know the need to give MCIF data utilization a high priority. Dover Federal Credit Union ([www.doverfcu.com](http://www.doverfcu.com)) in Dover, Del., for instance, uses LemmonTree Marketing to handle its MCIF data.

“One ironic thing I've found is that the more I learn from the data, the more I want to know,” says David W. Clendaniel, CCE, president/CEO of this \$236 million credit union serving 36,000 members. “We use the data for marketing, pricing decisions, branch performance. It's

## RESOURCES

Read related articles on [cumanagement.org](http://cumanagement.org). Choose “Article Archives” then “Marketing” and finally “CRM” or “Member Segmentation.”

CUES members can get CU-specific CRM tools at [cuestechport.com](http://cuestechport.com). Choose “Tools” and then “CRM.” If you need your members-only password, please e-mail [cues@cues.org](mailto:cues@cues.org).

allowed us to make a major improvement in our strategic marketing pieces. We're better able to target members and households for appropriate products and services.”

A CUES member, Clendaniel reports that understanding the household relationship has given a whole new perspective to Dover FCU's marketing strategy. “That was one of the pieces that was missing. We never had an overview of household activity until we had LemmonTree's help.”

Currently, Dover FCU is generating quarterly reports, but Clendaniel says it will go to monthly reports in 2009.

“We want to make decisions based on more current data. We originally regarded it as a marketing tool, but we've also used it at least twice for planning. For instance, we've been able to analyze the households we serve and where our members live, and that has had an impact on our branching strategy.”

Clendaniel attributes upswings in the credit union's performance to these efforts. “Our loans and shares are better—relatively speaking, given the economy. Plus, our ROA is positive, and we're taking aggressive strides to make provisions for loan loss.”

Clendaniel sees an integration of MCIF and CRM principles in terms of bundling products and considering cost-accounting considerations. “We feel that marrying these two concepts together will help us with pricing and marketing decisions going forward,” he says. “It also helps us in marketing our member financial services, Dover FCU Investment and Retirement Services. We feel that the more pieces that we put into the pie, the better the pie is going to be. MCIF helps us understand the various relationships that tie the member to the credit union.”

At \$200 million Continental Federal Credit Union ([www.continentalfcu.org](http://www.continentalfcu.org)), identifying the most profitable business segments is a key objective of MCIF data analysis. “We have branches in Southern California, Tempe, Ariz., Houston, Newark, N.J., and we're opening up a new office in Charlotte, N.C., so understanding where our most profitable geographic areas are is critical for us,” reports Tom Glatt, CPA, president/CEO of this 22,000-member CU at the time of this interview. Glatt was slated to become CEO of the newly chartered Realtors Federal Credit Union on Dec. 15.

Additionally, the CU serves various member segments, including employees of Continental Airlines, U.S. Airways and certain select employer groups as well as family

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members. Thus, the credit union relies on MCIF data to identify those member segments that are most profitable.

Overall data gives the CU an important tool in understanding profit risk. “I don’t see how you can make good decisions without understanding profit risk,” Glatt says. “For many years, credit unions were loathe to say profit, much less assign it to specific members, products, geographic areas and loan officers. But you need to be able to understand profit risk in order to determine whether to put a delivery system in a particular area or not, or how to price a certain product in a specific market based on varying cost structures. It shouldn’t be a one-size-fits-all approach.”

Continental FCU uses the services of DMA for MCIF data management. In Glatt’s estimation, the job of manipulating the data is so immense and multi-faceted that it is not practical for the credit union to undertake this task itself. He speaks from experience on this point, having held management or oversight roles at other credit unions where MCIF data analysis was handled internally. He says the approach was not nearly as effective as it has been having an outside service provider such as DMA take responsibility for the multi-faceted aspects of MCIF database analysis, marketing, etc. Key people at the credit union in marketing,

IT and accounting can make use of the data, which is all integrated at the corporate level through EVP/Chief Operating Officer Alistair Harper.

“Rich Weissman and (DMA Chief Operating Officer) Duncan Sanderson are part of our team at a fraction of the cost for which we could hire them ourselves,” Glatt says.

Via MCIF data analysis, Continental FCU executives feel confident they are making the right choices for the credit union—whether it’s waiving a fee for a member who is producing good profits for the credit union or making a decision about the best geographic location for a branch. “It’s improved the quality of our decision-making, allowing us to be both efficient and effective,” Glatt says.

Overall, Glatt reports that MCIF data analysis has enabled Continental FCU to build better, deeper relationships with its members. “What we have at our credit union is not a sales culture, but a relationship-building culture. Without this tool, we wouldn’t have any idea whether we’re successful or not. We are aware that many credit unions wonder if they can afford to do it. It’s our belief that you can’t afford not to.” ▲▲

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