Data Analytics for Impact and Performance

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St Louis, MO
PRODUCT 2 PLATFORM

Anne Legg
Director, Client Strategy

AdvantEdge Analytics
CUNA MUTUAL GROUP
Platform

It is not individual products that are important but how well they work with the other products in the platform.
The Platform As A Business Model

Platform becomes powerful as a business model because it uses technology to connect people, organizations, and resources in an interactive ecosystem in which amazing amounts of value can be created and exchanged.
Platform As A Business Model

Producer of Value → The Value Exchange ← Consumer of Value

End Goal: To trade something worth significant value
The Network Effects:
The phenomenon whereby a product or service gains additional value as more people use it.
Credit Union Platform As A Business Model

App Ecosystem

increase

Producer of Value → The Value Exchange ← Consumer of Value

increase

CU Assets
- Price
- Process
- Member insights from big data
- Conduit to members

Member Needs
- Shelter
- Transportation
- Travel/play
- Education
- Retirement
Business Model Operating Considerations

1. **Channels**
   Need effective channels that help the consumer select the producer

2. **Enrollment**
   Easy ability for both value producers and consumers of value to enroll in platform

3. **Multihoming**
   Multihoming is the ability to use many solutions for single desired outcome. Acknowledge that the users will not be exclusive to one platform
Elements For Success

1. Frictionless Entry
This is the ability of users to quickly and easily join a platform and begin participating in the value creation that the platform facilitates. Frictionless entry is a key factor in enabling a platform to grow rapidly.

2. Create Communities = Shared Learning
Value is created because of the communities that participate in their platforms. This is on both between consumers and between the consumer and producer.

3. Economies of Scale
Effective platforms are able to expand in size quickly and easily, thereby scaling the value that derives from network effects.
CREATING VALUE

WHAT IS IT?

Value
What is it?
How do we measure it?
How is it created?
It seems very complicated...

30 Elements Of Value

30 Elements Of Value

2017 ANNUAL CONFERENCE
Value

What is it?
How do we measure it?
How is it created?

It seems very complicated.....
30 Elements Of Value

The Elements of Value Pyramid

Products and services deliver fundamental elements of value that address four kinds of needs: functional, emotional, life changing, and social impact. In general, the more elements provided, the greater customers’ loyalty and the higher the company’s sustained revenue growth.

- Social impact
- Life changing
- Emotional
- Functional

September, 2016
30 Elements Of Value

What does this mean to a FI?

Value creation opportunities
- reduce anxiety
- saves time
- simplifies
- makes money
- reduce risk
- connects
- avoid hassles
ASSETS
1. Price
2. Process
3. Member insights from big data
4. Conduit to members
Member insights from big data

- Make and model of member’s next vehicle & where they frequently get gas
- The competition for the member’s auto loan, credit card or home loan
- Where members shop, buy groceries or fast food
- What your members watch, read & listen
- Member’s hobbies and interests
- Identify who is currently disrupting your business
Profile: Inactive Savers (36%)

**Demographic**
- **Age**: 30% 18-34 yrs., 50% 50+ yrs.
- **Education & Employment**: College & High school, White & Blue Collar Mix
- **Member Length**: 31% 1-5 yrs., 37% 6-15 yrs.
- **Branch**: 99% Main office
- **Home Ownership**: Mostly Homeowners
- **Children**: Mostly without children
- **Live in Shelton, Elma & McCleary**

**Product Use**
- **Credit Card Savings**
- **Competition**
  - Auto: Wells Fargo
  - Home: Wells Fargo
  - Credit Card: Capital One
  - Checking: CHASE

**Tech Use**
- **Cable/Satellite**
  - Comcast & Direct TV
  - Cell phone for emergency

**Vehicle Preference**
- **GMC Sierra**
- **Dodge Dakota**
- **Chevrolet Silverado**
- **Gas**: Shell & Chevron

**Media Consumption**
- **Read**
  - American Hunter
  - North American Hunter
  - Bass Master
  - Watch
  - NASCAR
  - Outdoor channel
  - Country Music TV

**Food**
- **KTP Express**
- **McDonalds**
- **Fred Meyer**
- **Safeway**

**Purchase Behavior**
- **Retail**
  - Sears Hardware
  - QVC
  - Walgreens
  - Walmart
- **Interests**
  - Hunting
  - Crafting
  - RV

**Disruptors**
- Presence of:
  - Lending Club
  - Prosper
  - PayPal
A few vendors/merchants who have something to offer members
Members have 5 basic needs:
Members have 5 basic needs:
Members have 5 basic needs:
Members have 5 basic needs:
Members have 5 basic needs:
Free Socks
Fill your members need before they do

Free socks are a symbol for filling a member’s need before they even know they have one. The “Free Socks” reference originate from an example in the fitness/health industry.
WHAT NEXT?

A FEW CONSIDERATIONS TO MOVE FROM PRODUCT TO PLATFORM...
CONSIDERATIONS

1. Establishing value
2. Offering channels that help members choose the CU
3. Frictionless & easy enrollment
4. Create communities
5. Shared learning
6. Scalable
7. Multihoming

Phase 1
Phase 1

Building the business case

1. Objective:
   What business plan item will this accomplish?

2. Resources:
   People
   Money
   Time
   Data
   Success measures and benchmarks
Phase 2 & 3

Start small ...

1. One product
   Auto loan or credit card
2. Build on Successes
   What was learned?
   What will be done differently?
   Who were champions?
   Who will be the team for next phase?
   Building the business case for next phase.
Summary

1. Platform as a business model provides new and innovative way to create sustainable member value from leveraging technology channels and connected data insights.

2. Shifts the credit union focus from delivering products to creating value can provide new member engagement and organizational growth.

3. Implementation can occur with a tight business case featuring a single product to test (auto/cc).
Banking on Disruption: Digitization, FinTech, and the future of retail banking

By: Subhajit Das
Name This Company?

2008
$2.83

2017
$196.23
#1 Challenge for CU CEOs.....

How to stay relevant to your most valuable members
Digital Transformation

THE DIGITAL TRANSFORMATION PLAYBOOK

Rethink your business for the digital age

DAVID L. ROGERS

Columbia Business School
The Digital Transformation Journey

- Data Access
- Data Management
- Reporting/OLA
- Forecasting
- Predictive Modeling
- Optimization

Big Data

Little Data
Is Big Data the New Black Gold?

Image: verifex/Flickr
15%+ Growth of “VIP” Members
Member Profitability + Loyalty

$8,000/Month Saved
Shared Branching

27% Increase in Net Return on Investments
Creating Value for Members

$9.1 Million in Auto Loan Recapture in 6 Months
Loan Recapture
Low Income Census
Appending Demographic and Product Data

Identifying High Risk Loans
Loan Portfolio Vintage Analysis

Re-Scoring Member Credit Risk
Predictive Analytics on Historical Loan Data