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Data Mining Capabilities You Likely Already Have



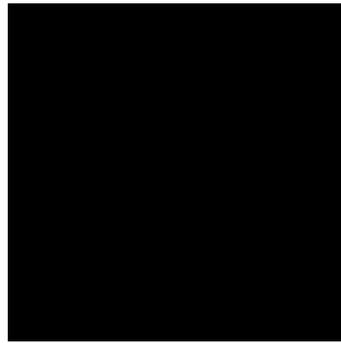
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For the Intelligent Banker

2015 Intelligent Bank Management Series

The 2015 Intelligent Bank Management Series focuses on insights, strategies and development priorities for improved profitability, operating efficiency, compliance and risk management at U.S. financial institutions.



Data Mining Capabilities You Likely Do Not Know You Have

If 'Big Data' analytics are out of reach of your Regional or Community Financial Institution budget, there may be other ways to harness existing technologies to obtain sales leads that you likely have overlooked.

Much is being written of late about the utilization of 'Big Data' solutions by some of the largest banking franchises on the planet. The promise they hold is in analyzing factors across a broad universe of data to relate and extract the proverbial needle from the haystack. While the biggest banks have the human and technological capital to invest and experiment with 'Big Data' solutions, we believe that many organizations across the Banking and Credit Union industries have overlooked some of the existing technology capabilities already in place that could be used to produce high quality sales leads and qualified calling lists

without anything other than an investment in time.

When Fraud is Not Fraud

This is a saying that we coined a number of years back when working with several industry providers in the development of fraud detection and prevention software. On the institution side, Loss Prevention is often the name given to an internal group charged with analyzing daily transactional information coming from the various fraud detection and prevention solutions to determine and prevent a presentment from being honored that is fraudulent, or the acceptance and crediting of a deposited item that will or may be returned.

Fraud detection and prevention systems are tuned to analyze broad inputs of transactional data which are evaluated against account historical activity, account condition and age, check serial number,

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account being drawn upon, etc.

The role of Loss Prevention is to quickly move past what is known as a 'False Positive' in order to find and prevent an attempt to defraud the institution. This is a time sensitive function and typically starts well before the branches have opened. 'False Positives' typically represent a transaction that has in some way risen to a level of scrutiny as it represents a deviation from historic behaviors or exceeds the norms established for monitoring, but is determined to be a legitimate presentment or valid deposited item.

Loss Prevention often discards or ignores these transactions. Sometimes they get exceptions based hold or float. But in any case, these transactions are being performed by customers who by definition have experienced a financial change in their lives. Within this group of transactions would be those receiving an inheritance, sale of a car or home, an insurance payout, writing checks for the pay-off of their automobiles, tuition payments, etc.

Sales and Marketing could and should be reaping these kernels of golden information from your fraud detection and prevention solutions. This is a bounty of qualified leads. If a vendor came and presented to your Marketing Executive a solution that would analyze all daily transactional activity to determine customer accounts who are experiencing historical financial changes in their lives, would you buy that solution? Maybe. The key to success is how you work to qualify and use the newfound insight into exceptions in customer behavior. The customer approach must be quick, but subtle. We have thoughts and plans as to how this could be

effectively managed.

Image Check Technology

Our second data mining insight comes from the Check Imaging for the 21st Century, or Check 21 as it is often referenced, which created the national foundation of image check clearing. Many organizations either own or rent by the slice the technologies used to capture and post checks, as they themselves are the bank of first deposit. Coupled with this technology is the ability to do research upon check items or batches sent for forward clearing that have been processed.

Let us define how we have worked with and seen check processing research capability used as another data mining capable solution.

Consider the following scenario:

You determine that there is a strategic opportunity to outperform a competitor. This could be as result of an announced acquisition in your market, a product deficiency with your competitor that you could fill, a market awareness as to a change in public perception of your competitor; there could be many more reasons. The key is that you must get your message out as to why you are better prepared to serve your competitor's customers.

Your competitor is not going to willingly provide a list of his or her customers to allow you to perform your solicitation or calling effort. But you can identify through your check processing research capabilities, checks that have been accepted and processed from your competitor's customers.

- Identify the routing numbers used by your competitor. Make sure that you also include any controlled disbursement routing

numbers.

- Using those routing numbers, query your check image archive. You will likely want to screen the dollar value of the checks to say \$5,000 if you were developing a potential calling list for Commercial Account prospects.
- Start with a day's inquiry, and expand your search for a week or a month.
- Select and view the front image of the check. Record the check maker's name, and any address and contact information with a registration such as an Excel worksheet.
- Repeat.

Yes, someone has to read and type the check maker information manually. It is tedious but not laborious, and is easily assigned to a clerical level. Very quickly you will begin to see repetition that can be skipped, but what you are developing is a list of high valued customers from a targeted competitor. Because you can typically research several prior months' history, you can likely obtain a qualified list of high value potential clients for a specified targeted competitor in less than a day's effort. It will certainly not be a comprehensive customer list, but it will contain many new names and connections that were unknown previously. And all you need to do is look and make a record.

Converting Information into Action

Having the information is only half the battle. Having the skills and the ability to perform one to one marketing mailings, emails and

create and distribute calling officer lists are quite another aspect for success. You will need to have someone do Internet research on companies to validate addresses and complete contact information. As you can predict, patterns of prospects will emerge from the two data mining methods identified above and the skilled will develop their approach to quickly evaluate an opportunity, place it into a marketing production outbound queue, and then follow-up and monitor results. This is where Marketing CIF solutions that manage a prospect database can be of great help.

All too often, we see organizations and Executives being held hostage for what they don't yet have, or have not completed. In today's environment, we would recommend that you develop a plan now as to how you could harness the capabilities that exist and not wait for the next system that aims to deliver a utopian work environment. This is where a business partner such as CMPG could assist you in assessing the existing solutions and their inherent capabilities, and then work with Marketing and Management to execute plans now rather than at some point in the unpredictable future.

We would welcome your call.

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