



CASE STUDY

Utilizing Analytics
to Reward and
Increase Member
Profitability

Ideal Credit Union

A member-centric view of data is essential in understanding members and their relationships



There is no doubt that relationships are an essential part of the credit union industry. While member interactions are always evolving, it's crucial that relationships with data are consistent. By leveraging data, credit unions gain insight on their members habits and behaviors, thus allowing them the ability to reward and create better connections with their members.

Executive Summary

Founded in 1926, Ideal Credit Union serves six counties in and around the Twin Cities metro area. Using integrated member data, Ideal developed a full-featured loyalty program to reward high-value members and drive increased usage of its products and services. In addition, Ideal has been able to use the data to drive the VIP program for other marketing opportunities.

Opportunities to Deepen the Relationship

As a credit union, Ideal is committed to quality member service and helping members achieve their financial and life goals. Like many other credit unions, Ideal evaluated its penetration among existing members and sensed additional opportunities to engage members and capture additional member wallet share.

"VIP is one of the most popular member programs we've ever launched. Now, with the additional ability to drive other marketing programs with the VIP information, we are truly leveraging the value of our data."

Dennis Bauer, CFO, Ideal Credit Union

Company Profile

Ideal Credit Union
Minneapolis/St. Paul Area

OnApproach Solution

M360

Client Since

2012

About the Client

Ideal Credit Union is a Minnesota based Credit Union that has over 50,000 members and \$685 million in assets

Solution at a glance

Challenge

Ideal created a VIP membership program for its clients, but couldn't integrate data to successfully run the program.

Solution

M360 allowed Ideal to get a member-centric view of its data by integrating data from its core system and two ancillary product databases.

Benefit

VIP was able to become a reality.

Ideal envisioned a member loyalty program in which they would provide upward scaling rewards as members used their products and services to bring more value to the credit union.

Laying the Data Foundation

A key dependency for creating such a program was to seamlessly integrate multiple sources of data within the credit union and to provide a comprehensive picture of the members' products and how they use their products on a given day. However, Ideal's transactional data was locked up in numerous "data silos", which hindered their ability to fully analyze each member transaction (behavior) and only provided them with a product level analysis. Ideal understood members use products very differently, and it's not just which products a member has, but how each member uses their products that has major effects on profitability.

Prior to 2012, Ideal Credit Union was unable to successfully integrate the necessary data to run such a program. Prior attempts to unify these islands of data were not successful, and consumed a lot of time and resources, so the project was shelved. Then, Ideal partnered with OnApproach to integrate data from its core system along with other ancillary product databases using the OnApproach M360™ Analytics Platform. This platform provided a reliable and validated single source of truth for Ideal's transactional data. This enabled Ideal Credit Union to have a member-centric view of its data and thereby make the VIP analytics application, or "App", a reality.

"We wanted to develop a rewards program really to give back to members that use our credit union. Prior to having M360, that would've been impossible. By having our data warehouse in place, we were able to combine all three sources of data, get a 360 view of our members' relationships, both from a product standpoint and a transactional standpoint, and develop a program that we are able to pay out a patronage dividend each year." – Dennis Bauer, CFO, Ideal Credit Union.

How It Was Done

Ideal's objective was to design an App that permitted a program that would encompass a wide span of its product and service offerings. The abundance of member data allowed Ideal Credit Union to design its loyalty program based on 64 different business rules applied to three separate data sources representing seven different product lines.

Product Line	Data Source 1	Data Source 2	Data Source 3
Auto	X		
Certificates	X		
Checking	X		
Credit Cards			X
Home Equity	X	X	X
Money Market	X		
Mortgage	X	X	

What resulted was Ideal's new VIP rewards program which consisted of the following:

VIP Patronage Dividend — Based on making at least 144 withdrawal transactions (debit card, ACH, ATM, etc.) from a consumer Ideal Checking Account within the calendar year. (22 criteria)

VIP Loan Rebate Dividend — Meet VIP Patronage requirements and have 2 or more Ideal qualifying consumer loans that carried a balance in the calendar year. Dividend amount based on sum of the monthly interest paid. (26 criteria)

VIP Deposit Bonus Dividend — Meet VIP Patronage requirements and have one of three types of deposit accounts. Dividends are calculated by the average daily balance in qualifying accounts. (16 criteria)

While the VIP eligibility requirements are rather simple when viewed individually, the combination of 64 distinct rules applied to ever-changing transactional data in the source systems makes this a very complex undertaking, especially when accuracy of information is critical. Members expect to receive “correct-to-the-penny” dividend amounts they have earned. Credit union management must be able to confidently use the ongoing information to evaluate the program to ensure the total payout falls within a budgeted amount. Fortunately for Ideal, their Data Analytics Platform (enabled by OnApproach) enabled them to automatically update a program with 15,000 qualifying members every day, with minimal ongoing maintenance.

Results from Ideal’s Data Analytics

For the past five years, Ideal Credit Union has been reaping the benefits of its VIP member loyalty program. Since the pro-

gram’s initiation, Ideal Credit Union has experienced greater than a 17% increase in the number of members receiving rewards, now totaling over 15,000 members. To Ideal, this means members have acquired more Ideal products and/or have increased their transaction volumes in existing accounts in a profitable manner. As of January 2018, more than \$3.1 Million has been paid out to VIP members as a result of this program.

According to Shari Riley, Manager of Financial Reporting and Risk Management, “From the program support perspective, we see members really starting to think about the program. Not only after they’ve received a payout or not received a payout, but they are thinking about it throughout the year and pro-actively trying to be sure they will meet the criteria for the upcoming year end.”

Now that Ideal Credit Union has full access to their transactional data, it is possible to view trends and better understand how members are using products. By turning this data into information, the goal will be to continue to grow the “VIP” member base, which will result in improved organizational performance and increased dividends to members.

As stated by Dennis Bauer, CFO, Ideal Credit Union, “VIP is one of the most popular member programs we’ve ever launched. Now, with the additional ability to drive other marketing programs with the VIP information, we are truly leveraging the value of our data.”

Finding Other Opportunities

While the VIP program motivates members to deepen their relationship with Ideal, the credit union discovered another sales and marketing benefit resulting from the program data. In summarizing the current product holdings of each member, the VIP data showed product gaps by member. Ideal has a “4 Cs” metric to evaluate member product penetration: Checking, Credit Card, Car Loan, and “Casa” (home loan). The VIP data is used to create targeted marketing programs for members who are missing one or more of the 4 Cs and identify cross-selling opportunities to create more “VIP” Members.

According to Dennis Bauer, “Our VIP program developed through M360 has helped in growing our product penetration to our membership. We have determined that the following 4 products drive profitability: Checking, Credit Card, Auto Loan, and Mortgage Loan. The VIP+ program is a primary reason why there has been a 20% increase in the last three years of the number of members with at least 3 of these products.”

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Dennis Bauer, CFO, Ideal Credit

About Ideal Credit Union

Ideal Credit Union was founded in 1926 and was originally called the St. Paul Postal Employees Credit Union. Only postal employees were eligible to members at the time. Today, Ideal services citizens in Minnesota who reside, work, or attend school in Washington, Ramsey, Dakota, Anoka, Chisago, or Hennepin county. They currently have over 50,000 members and assets of \$685 million. To learn more about Ideal Credit Union and how they serve their community visit <https://www.idealcu.com/>. Learn more about the VIP Program: www.prweb.com/releases/2018/01/prweb15072046.htm

About OnApproach

OnApproach is a Credit Union Service Organization (CUSO) that focuses on providing credit unions with the power to use data as a competitive advantage both independently and cooperatively. With OnApproach, credit unions can now harness the value of Big Data through integration and predictive analytics. This deeper understanding of data allows credit unions to discover vital trends in member behavior, resulting in improved financial performance, reduced risk, and enriched relationships with members.



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