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# How business strategy impacts analytics at Record Bank

SAS Forum BeLux 2010



## Record Bank?

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- Small Belgian retail bank – member of the ING group & focused on private households and SME's
- Specialized in consumer credits, mortgage and business loans as well as a large range of financial and insurance solutions
- Multi channel marketing: Bank Agents (700), brokers (355) and vendors (570) + insurance brokers
- Emerging from several mergers and acquisitions  
→ 8 mergers since 2001 (!)

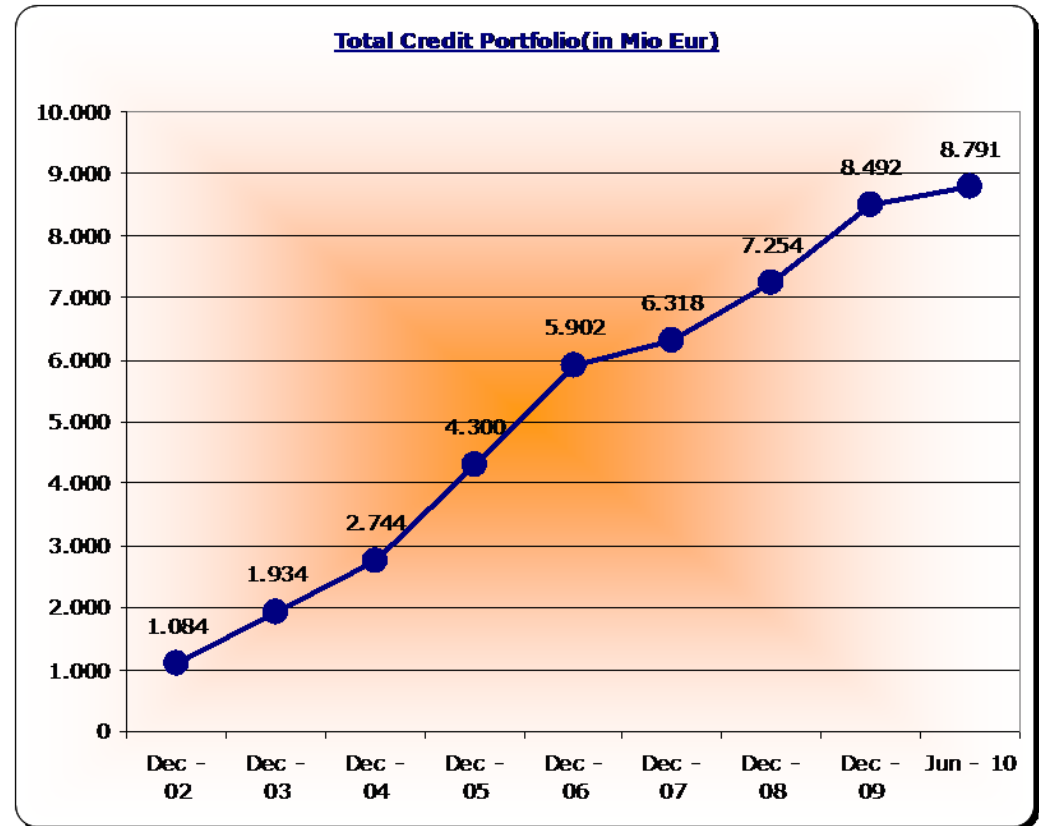
## How big is it?

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- +/- 700 FTE's
- We are smaller than:
  - ✓ Big 4
  - ✓ AXA
  - ✓ Argenta
- We are bigger than:
  - ✓ Centea
  - ✓ Fintro
  - ✓ Delta Lloyd
- For Both Credits and Deposito's
  - ✓ Number 3 Retail Bank in Belgium

## How fast are we growing?

- Record Bank has been growing steadily since 2002.
- This growth relies both on internal factors as well as mergers and acquisitions.



## 3 major phases: phase 1

- From 2001 till 2006: **Mergers and Acquisitions**
  - ✓ Created as the merger of 4: Sodefina, De Vaderslandsche, SEFB & Dipo
  - ✓ One extra merger each year from 2002 to 2006





## 3 major phases: phase 2

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- From 2006 till 2010: **Consolidation & Integration**
  - ✓ Shaping and implementation of future IT platform: Thaler V2
  - ✓ Integration of all portfolios and systems in 1 central system
  - ✓ Migration from old to new platform = +/- 3 years of co-existence
  - ✓ Minor and Major System releases
- ➔ Strategy: Prepare Record Bank for further growth and improve management.
- ➔ In this period, growth at Record Bank came from mostly new clients.



## 3 major phases: phase 3

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- 2010 - ...: **Internal growth**

We have:

- ✓ A high number of Customers that have only 1 product
- ✓ Only 12% overlap between Credits and Deposito's

→ Record Bank is not (yet) our clients' first bank

→ Need for a CRM strategy integrating:

- Marketing Campaigns
- Leads
- Websites & R@H/R@O
- Customer Experience



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So, how did business strategy impact analytics at Record Bank?

## Use of analytics in phase 1?

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- GOAL: correctly assess newly acquired portfolios:
  - ✓ **Due diligence**:
    - **calculations** must be based on precise evaluation of portfolio quality and behaviour → pricing and NPV calculations
    - Portfolio **evolution and behaviour**, vintage analysis, production forecasting, transparent risk cost calculations
  - ✓ **After takeover**
    - Fast **integration** of portfolios in consolidated reports, even if systems are not integrated (both commercial and non-commercial stats)
    - Integration in **BASEL II AIRB** method through data-mining: transfer of « unrated » portfolios to Basel II compliant portfolios and computation of all relevant risk parameters (PD, LGD, EAD, RWA, INCAP, ECAP, RECAP ...)



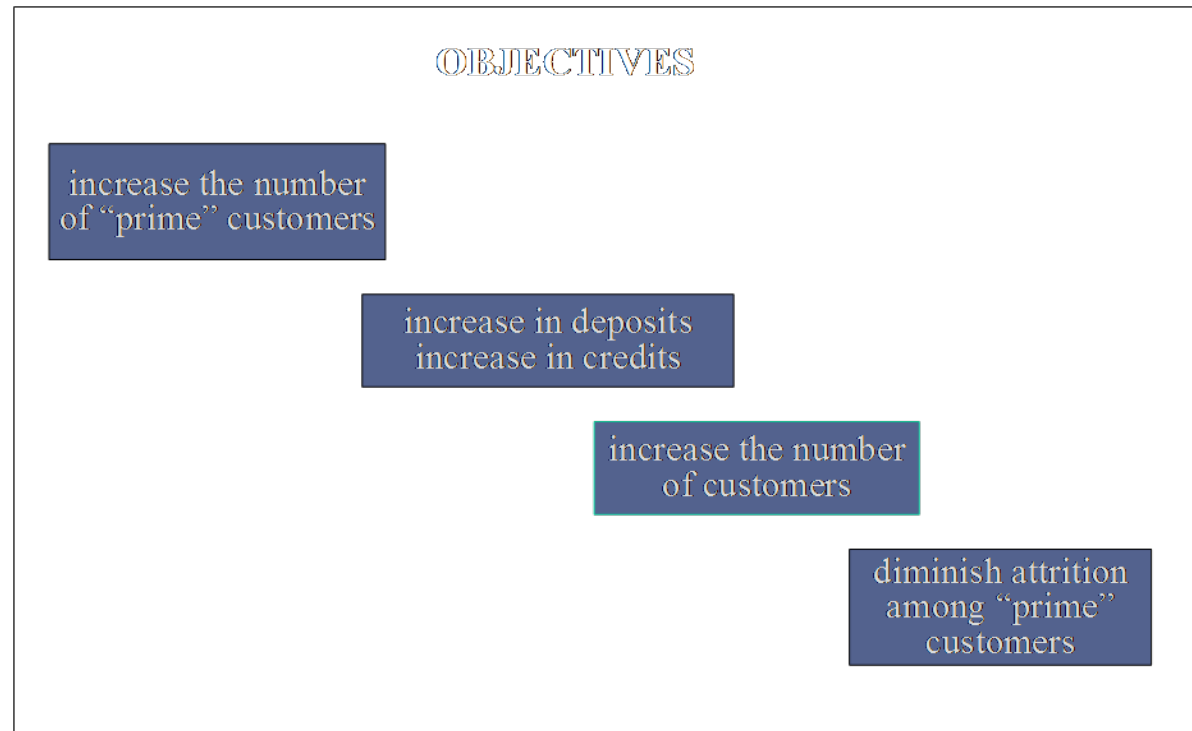
## Use of analytics in phase 2?

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- GOAL: Set up the foundations of the future Record Bank
  - ✓ Move to a fully **Basel II compliant** bank (AIRB) → Computation of all relevant risk parameters (PD, LGD, EAD, RWA, INCAP, ECAP, RECAP ...)
    - → data mining and BI are « Sine qua non » conditions.
  - ✓ Analytics used to challenge **Credit Policy Rules** and implement a new Loan Origination System based on Credit Scoring (behavioural and at application) for all products → need for a strong data-mining tool.
  - ✓ Implementation of a solid **Asset & Liability Management** framework (ALM)
  - ✓ Implementation of **transparent risk cost calculations** and Portfolio Monitoring Committees (**PoMoCo's**)
  - ✓ After takeover → Fast integration of portfolios in **consolidated reports**, even if systems are not integrated (both commercial and non-commercial stats)

## Phase 3: Strategy/Objectives

- Growth must come from **within** Record Bank and not from takeovers
- Growth must be **balanced** between Activa & Passiva
- Products must be **easy** to understand
- Promote Record Bank as the Client's « **First bank** »
- Provide the best **Customer Experience**





## Phase 3: Objectives vs Key Focus Areas

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### OBJECTIVES

- increase in deposits
- increase in credits
- increase the number of customers
- increase the number of “prime” customers
- diminish attrition among “prime” customers

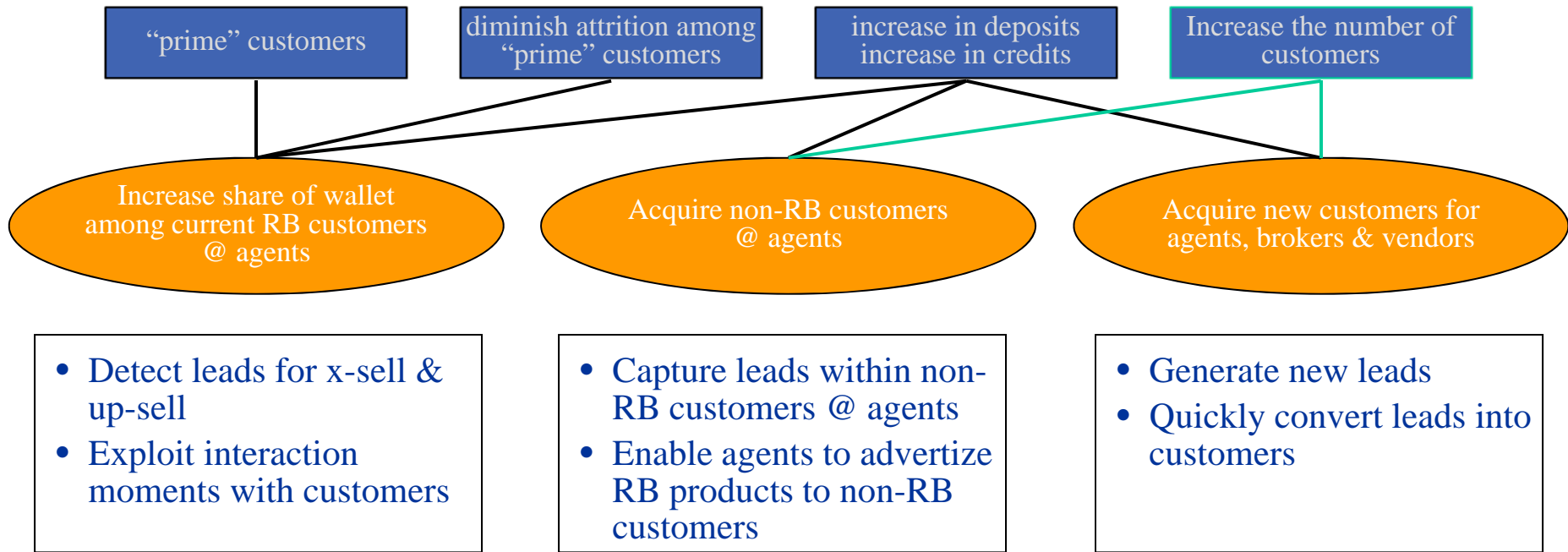
### Growth strategy

Increase share of wallet among current **RB customers @ agents** (x-sell & upsell and reduce attrition)

Acquire **non-RB customers @ agents**

Acquire new customers **for agents, brokers & vendors network** (acquisition)

# Phase 3: Business Impacts



Platform for Marketing Automation and Communications

➔ New analytics needed



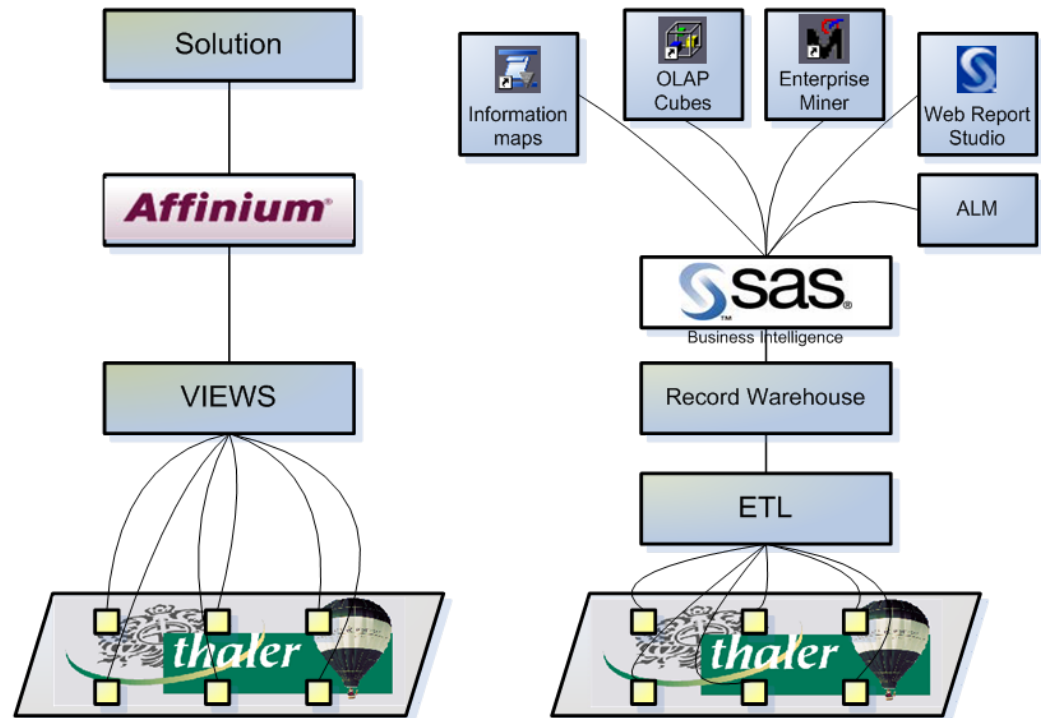
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So, how do we intend to proceed?

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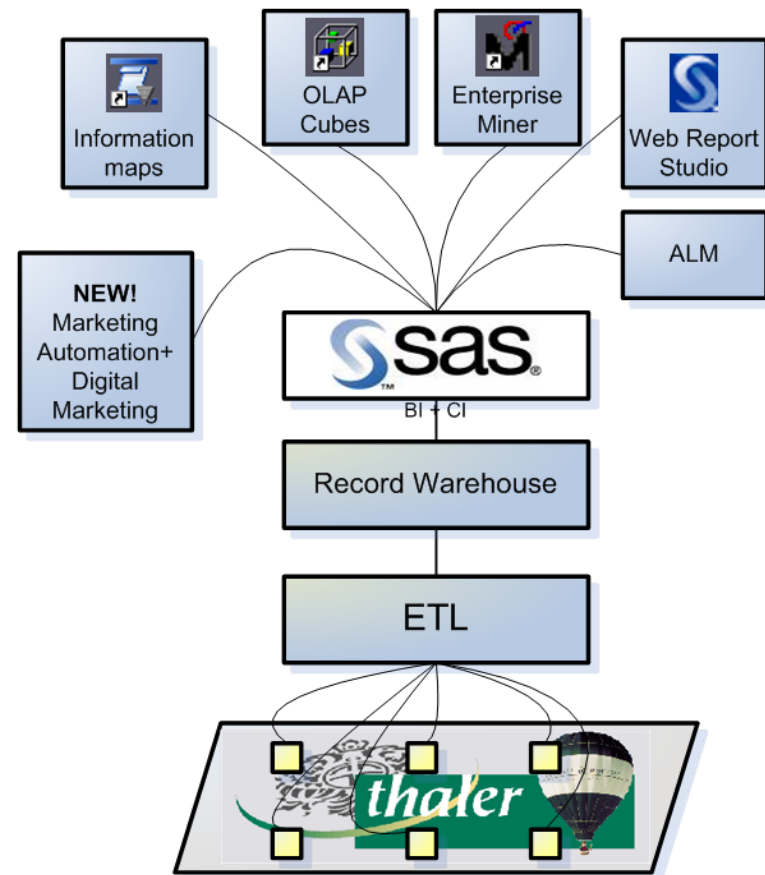
## Integrate Marketing in RWH (As Is)

- Fully **integrated** analytical system with data mining capabilities
- **Harmonize** infrastructure
- Provide a **BI** environment that will increase insight in marketing campaigns



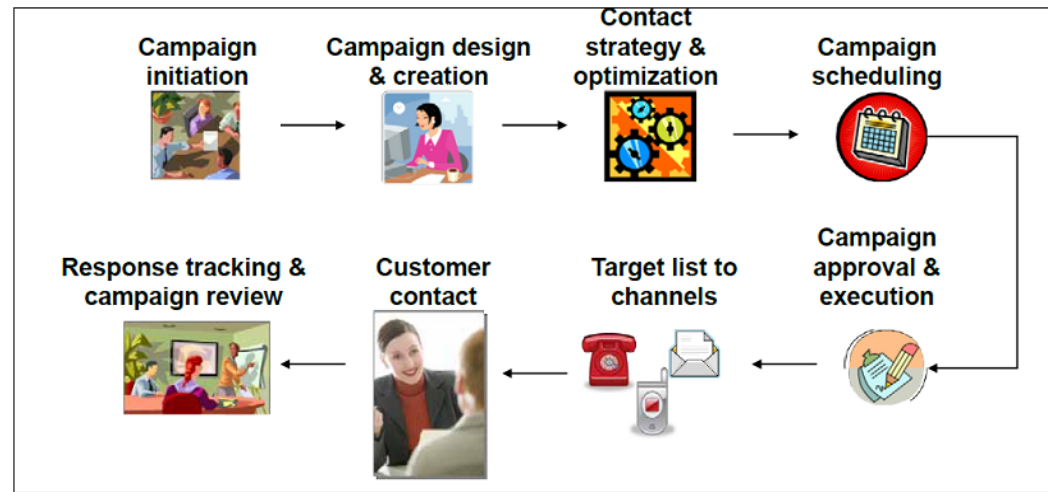
## Integrate Marketing in RWH (To Be)

- Fully **integrated** analytical system with data mining capabilities
- **Harmonize** infrastructure
- Provide a **BI** environment that will increase insight in marketing campaigns



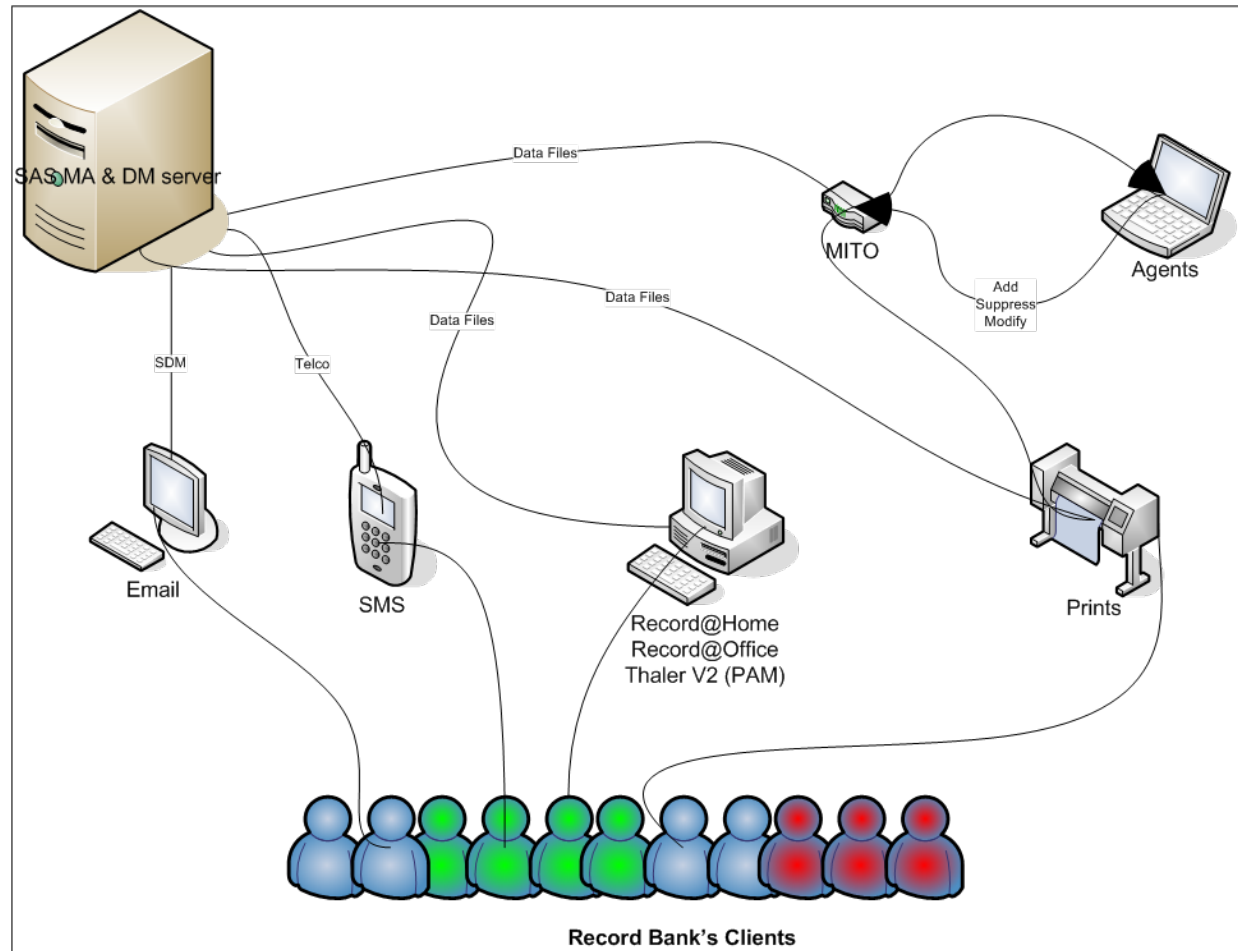
# Review Campaign Process

- Strengthen **Governance**
- **Professionalize** Campaign Design / Communication Design
- **Facilitate** execution
- Allow **structured testing** of campaigns/communications (control groups...)
- **Monitor** campaigns with Key Indicators coherent throughout the campaign portfolio
- **Data mining**



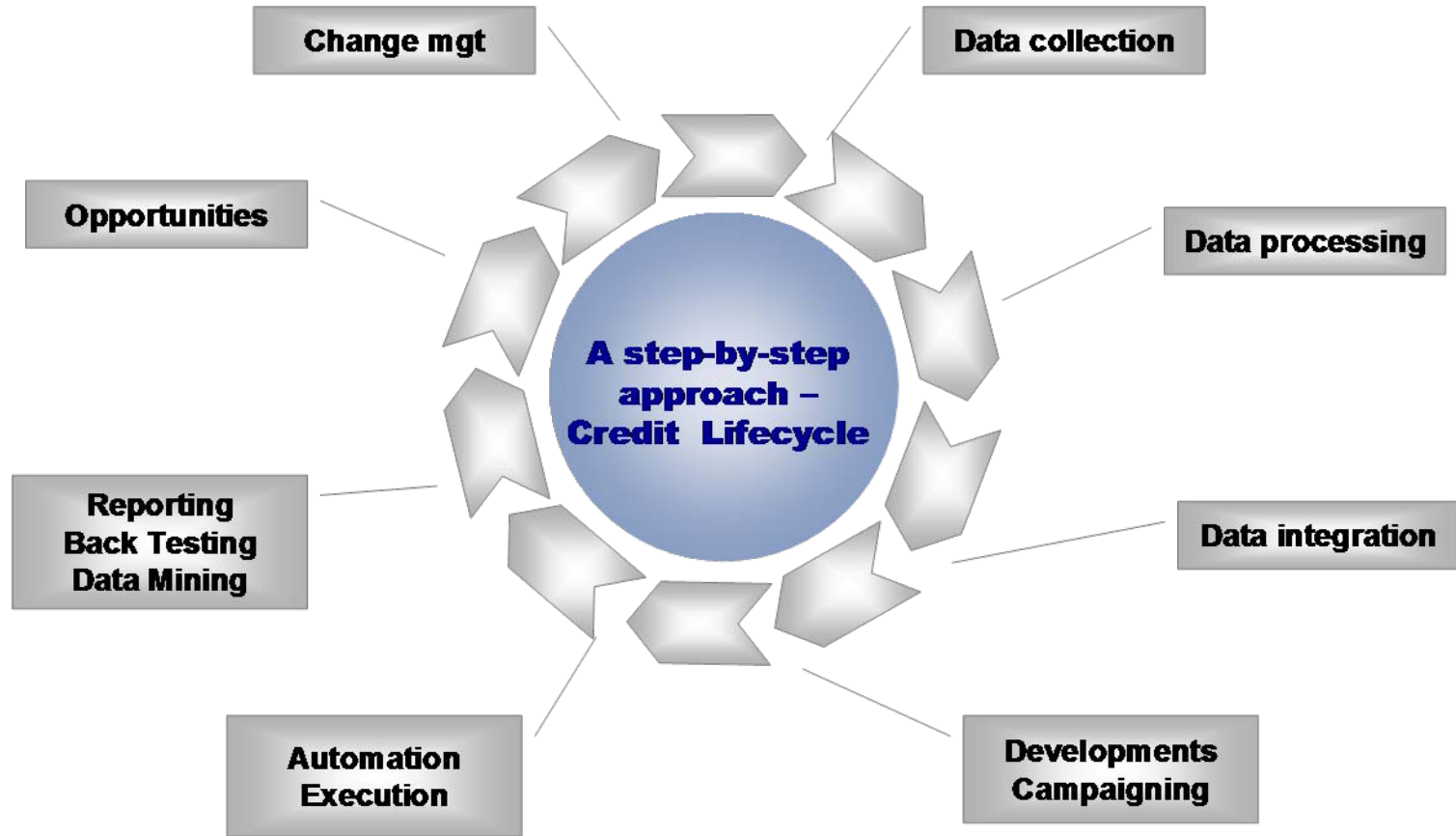
## Opening Communication Channels

- In 2010, clients expect more than a letter.
- Record Bank will communicate through different channels, according to the clients wishes
- Responses will be tracked.



# Work with iterations

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# Lessons learned from BI applicable to CI

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- **Keep it simple**
- **Document** using the metadata
- Translate concepts into reality → integrate definitions in Business
- Avoid multiplying the standards & be consequent with for instance definitions & security → « master » system for Analytics.
- Information, training & governance are key → create forums
- Be creative, extrapolate & improve
- Continuous tool evolution strategy → evolve!

