



Big Data Analytics Helps Credit Unions Reach Influential Hispanic Market

Best-practice Hispanic growth strategies formed with rich data and experienced analysis

Every day, at least 2.5 quintillion bytes of data are created. Each time we swipe a credit card, activate a GPS or “Like” a post on Facebook, our movements are cataloged. It’s so much, in fact, that the amount of data gathered in one day is more than what we’ve seen since the beginning of time.

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This almost unfathomable amount of information creates a very real opportunity for all businesses, including credit unions, to understand their customers like never before. In 2013, more than three-quarters of businesses in the financial services industry were using big data and predictive analytics methods to build a competitive advantage for their organizations. Credit unions are among them.

CUNA, in a recent white paper authored by its technology council, applauded these cooperatives. It said: Whether a credit union relies on “big” “medium” or “small” data, applying that knowledge is very likely to make a positive impact on the bottom line.

“We know that big data is king as we move forward,” said Brian Griffith, assistant vice president of marketing for Coopera client Gesa Credit Union. “Without the right data, most marketing and growth efforts are unlikely to be focused and targeted towards the right groups of members. As a whole, our credit union is continuing to invest in analytic programs and strategies to help better serve our members.”

Like many other future-focused credit unions, the \$1.3 billion Gesa CU, located in Washington, is applying data analytics and business intelligence methods to enhance service to new markets it may not understand as innately as those it has traditionally served. Hispanics, as the nation’s largest, fastest-growing, youngest and most underserved population, are key among these target members.

What follows are the stories of two data-driven credit unions that have recently applied data analytics to their Hispanic growth strategies.

Bethpage FCU Leadership Asks ‘Where’s the Data?’

“I can be a real data geek if you let me,” confesses community financial institution veteran Bob Hoppenstedt. A senior vice president for Bethpage Federal Credit Union on Long Island in New York, Hoppenstedt believes



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1 “Data on Big Data,” Marcia Conner, July 18, 2014
 2 “Analytics: The real-world use of big data in financial services,” IBM, June 25, 2013
 3 “CUNA Technology Council Takes In-Dept Look at the “Data Craze” in New White Paper,” CUNA, October 1, 2013

the keys to even greater success for his \$5.7 billion cooperative are buried among the heaps of consumer data compounding by the second.

To begin digging out insightful data gems, Bethpage FCU has partnered with outside experts who know precisely where to look and for what. One of these partners is Coopera. Brought in to help the cooperative make smart investments inside its developing Hispanic member growth plan, the firm applied its data analytics capabilities to the credit union's surrounding areas.

"The Latino community is the fastest growing on Long Island," said Hoppenstedt, who noted the Hispanic population surrounding Bethpage FCU branches has nearly doubled over the last 10 years. Already comprising more than 10 percent of the Bethpage FCU membership base, success with the Hispanic segment is critical to the sustainability of the 60-year-old credit union.

Coopera began by developing what's called a Hispanic Opportunity Navigator (HON) report for the credit union. The objective of the HON, which Coopera developed when it was founded in 2007, is to measure progress with a credit union's Hispanic growth strategy. The findings of the report are designed to provide two things:

- 1. A case for modifying, enhancing or replacing current Hispanic outreach practices to grow membership and assets.*
- 2. An objective evaluation of the choices a credit union has to position itself for growth through serving the Hispanic market.*

An important component of the report is a Hispanic Member Analysis, which gives credit union executives a clearer view of their current Hispanic membership profile. For Bethpage, the analysis held a few surprises. Chief among them was that well above half (55 percent) of the credit union's current Hispanic members preferred Spanish to English. Yet the report also confirmed Hoppenstedt's gut-instinct impressions, giving him and other executives the confidence to continue with some of the credit union's efforts, such as increasing the attention paid to loan penetration among Bethpage's Hispanic members. According to the report, loans to Hispanic members made up 6 percent of the cooperative's total loan picture. Overall, Hispanics lag non-Hispanics by about nine percentage points.

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Data analytics
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More about Bethpage's Hispanic members was revealed in the report's life cycle study. Hoppenstedt and his team learned, for instance, that on average, the credit union's Hispanic members are six years younger than its non-Hispanic members. As well, non-Hispanic members have been with Bethpage on average three years longer than Hispanic members. Taking the data a step farther, Coopera was able to combine age and tenure to determine at what age members joined the credit union. Hispanic members' average age at joining Bethpage is about 32 years, compared with the average for non-Hispanics, which is just under 35. When analyzing product categories, Coopera learned checking penetration is highest in the 20 to 24 age group, and gradually decreases in the higher age ranges.

Digging into the credit union's own data, Coopera was able to identify the top five branches in terms of current Hispanic members, as well as the lowest five. After reviewing the report, Hoppenstedt was able to draw parallels between the top branches' performance with Hispanics and the specific outreach strategies executed within those branches.

"Our strongest branch is Central Islip, which Coopera identified as having a nearly 35-percent Hispanic membership," said Hoppenstedt. "Our branch manager is a very community-oriented Ecuadorian who is active with the Hispanic Chamber of Commerce and a number of other organizations. Several of her staff members are fluent in Spanish, which as we now know is very important to many of our current Hispanic members.

"Perhaps this is the way to continue," he said. "Maybe it's not about ads, but something far more fundamental. It's about going into the branch and being recognized, seeing strong Latino leadership and being treated with respect."

Per-branch analysis gave the credit union's leaders a series of data points upon which to build branch-specific strategies. This included elements like the number of deposits and loans, tenure, language preference and age of current Hispanic members in each of Bethpage's 32 locations.

"Bethpage very much embraces the credit union mission, which in our view includes service to the underserved," said Hoppenstedt. "We have quite a few branches in underserved communities that are also heavily Latino. We recognize we still have not penetrated to a great degree those markets.

Coopera helped us determine that. Looking at our branches and how they are organized and staffed to address the needs of the underserved is a priority.”

Among these strategies, Bethpage plans to place more Spanish-speaking representatives in the branches with a heavy Hispanic population. The credit union is also exploring a partnership with a local small business development center, which has developed its own Hispanic initiative. As well, Bethpage is working with Coopera to understand how the credit union’s products and services can be better marketed to the right audiences in the right way. Part of this will be delving into the HON and its Hispanic member analysis to better understand the nuances of the marketplace.

Importantly, the report also revealed the revenue possibilities of increasing the credit union’s engagement within its Hispanic field of membership. With an estimated \$3.5 million acquisition cost to penetrate just eight percent of the Hispanic population in our field of membership, Bethpage could realize incremental income of nearly \$38 million from service to new Hispanic members.

“Coopera made a strong economic argument for garnering more of the Latino marketplace,” said Hoppenstedt. “Although profits are not why we’re in business, we have to keep the lights on, and we have to pay close attention to our long-term sustainability.”

Projections of the credit union’s membership demonstrates that the Hispanic member will play an increasingly critical role in that sustainability. Using the credit union’s recent new membership data and attrition rate assumptions as a basis, Coopera analysts predicted Bethpage’s Hispanic membership will reach more than 43,000 in five years, at which time Hispanics will comprise 14.6 percent of the credit union’s total membership.

“We’re very data driven,” Hoppenstedt said about the credit union’s overall data analytics philosophy. “Our president is always challenging us by asking, ‘Where’s the data?’ and our board has come to expect these kinds of reports. Hoppenstedt says the data analysis performed by Coopera will be combined with that of other outside consultants, such as Raddon.

“The integration of our data sources will be key, as it makes the analysis that much more important. With Coopera and Raddon working on our behalf, we’re in a much better position to track our members, to get to know them better from the data.”

San Francisco FCU Says Hispanics Just the Beginning

Operating a credit union in the multi-cultural city of San Francisco requires leaders to stay on top of shifting demographics. “There is an exciting complexity to our city,” said Jude Gogan, senior vice president and chief operating officer for San Francisco Federal Credit Union. Gogan has been with the credit union for thirty-four years and has overseen the establishment of branch locations in nearly every corner of San Francisco County, including its most recent branch in San Mateo County. She credits much of the cooperative’s success within a vast array of neighborhoods to each branch manager’s specialized knowledge of the areas they serve. These professionals make it their job to stay on top of the demographics so they can supplement what is an instinctive understanding of the strategies most likely to work with members in each unique area of the city.



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The commitment to tailoring the credit union’s approach to each member segment sparked a desire to learn more about San Francisco FCU’s fastest-growing member category, Hispanics. Because the city boasts one of the largest Hispanic metropolitan populations in the U.S. and the credit union’s field of membership included more than 304,000 Hispanics, the credit union was already serving many Hispanic members. In fact, more than 15 percent of the credit union’s membership was Hispanic as of February 2014.

Yet, Gogan knew status-quo strategies would only take San Francisco FCU so far with this influential demographic. To give the credit union’s leadership the confidence they needed to truly invest more heavily in the Hispanic market, she and her CEO Steven Stapp partnered with Coopera. The Hispanic growth firm has a defined approach that Gogan and Stapp hoped would jump-start a years-long approach to understanding the nuances of not only the Hispanic community, but eventually each of the communities the credit union serves.



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San Francisco
 FCU's work
 with Hispanic
 members is
 helping to
 revive the city's
 Excelsior district.

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Forty two percent of Hispanics in California are either unbanked or underserved, according to the 2013 FDIC Economic Inclusion Survey.⁴ “Hispanics represent an important demographic for us because of the group’s size but also because its members are disproportionately underserved. So we wanted to start there,” said Stapp, who joined the credit union in 2008.

“From the outset, it has been our intention to apply some of the same data- and intelligence-gathering strategies to the Asian, Russian and LGBT communities, among others.”

The credit union’s pledge to better understanding, and thus serving, the Hispanic market dovetailed nicely with the local government’s call on businesses to help revitalize a neighborhood known as the Excelsior district. While million-dollar condos line the streets less than three miles away, the heart of the Excelsior district is characterized by vacant storefronts and illegal gambling operations.⁵ San Francisco FCU is joining others to help change that image. One of the many ways it is participating in this effort is to help the Hispanics living and working in the district revive the neighborhood. In fact, the credit union is preparing to open a new branch in the district in the first quarter of 2015.

“Coopera examined each of the areas surrounding our branches to help us understand where the greatest opportunity for improved service to Hispanics existed,” said Stapp. “Low and behold, the Excelsior district was one of the brightest areas of opportunity in the report.”

Coopera identified nearly 74,000 Hispanics within a two-mile trade area of the new San Francisco FCU Excelsior branch – more than any of the cooperative’s other locations.

While some of the data analysis Coopera delivered via its proprietary Hispanic Opportunity Navigator (HON) and Target Market Analysis reports cemented San Francisco FCU’s strategies, other insights triggered plans for new programs.

4 “2013 FDIC Economic Inclusion Survey,” 2013
 5 “Excelsior neighborhood awaits benefits of tech boom,” SF Gate, Feb. 18, 2014



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Hispanic membership is more likely to use Internet banking and open accounts via electronic branches.

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“We were surprised to learn many of our Hispanic members are heavy users of technology,” said Gogan. “Consumer adoption of technology is something we are putting a lot of emphasis on, so it was interesting to see how some of our strategies on the tech side could line up nicely with our strategies on the Hispanic member service side.”

Stapp, who works closely with credit unions in Latin America through his board position with the World Council of Credit Unions, noted this reliance on technology as something he had witnessed in Guatemala. “We didn’t think there would be as strong a correlation here in the U.S.”

In fact, Coopera’s analysis of the data indicated that San Francisco FCU’s Hispanic membership is more likely to use Internet banking (34.8 percent) as compared to non-Hispanic members (33 percent). Additionally, 13.4 percent of the members that opened accounts via the credit union’s eBranch were Hispanic.

Other learnings the credit union cited as helpful to the development of specific Hispanic growth strategies included the segment’s deep family ties and sharing of household income. Whereas other cultures may view an auto loan as the responsibility of one or two heads of the household, Hispanic families may be sharing that car among several adults, each of which is contributing to the pay down. “All of a sudden, that one auto loan becomes a touch point for three or four individuals,” said Stapp. “It’s truly causing us to look at our business differently.”

The influence of Hispanic business owners on the local economy is also of interest to the credit union. “Hispanic business is exploding here,” said Stapp, who has felt the effect personally, citing a local sushi restaurant with a Hispanic chef.

Although Coopera found the great majority of San Francisco FCU’s existing Hispanic members are bilingual, a strong percentage (57 percent) prefer Spanish. That percentage was even higher at 66 percent when Coopera examined all Hispanics in the credit union’s field of membership. To address potential language barriers, Stapp launched an internal education initiative. Each quarter, the first 10 employees to raise their hand are invited to take part in Spanish courses funded by the credit union.

“We host lunches where everyone in attendance has to speak Spanish,” said Gogan. “It’s been a really fun experience, but it’s also something employees take seriously. Each student is required to study and to fulfill a series of learnings objectives.”

The two credit union leaders were also excited to see what Gogan called the “drill-down perspective,” generated by granular detail of both existing and prospective Hispanic members. Facts such as age, acculturation level and economic status are helping the pair change perception of the target market among staff, board members and management.



Whereas the credit union’s Hispanic members’ average age is 48.4, non-Hispanic members average 51.1. What’s more, the median age of Hispanics in California is 27. In terms of acculturation, the predominant segments in the credit union’s field of membership are second generation, English-preferring Hispanics with some Hispanic cultural practices and first generation, bilingual immigrants with many Hispanic cultural preferences. The Bicultural Hispanic segment includes Hispanics that are typically 1st generation, immigrated as a child or adult, bilingual and with many Hispanic cultural preferences. As for socioeconomic status, Coopera found the largest segment to have upper middle incomes between \$30,000 and \$120,000 with an average median household income of \$48,174.

“Often when you tell someone you want to work with the Hispanic market, the image they conjure up are individuals who are newly immigrated and skeptical of the U.S. financial system. As we shared the real data with staff, board members and management, they came to see the opportunity not only within the first-generation immigrant segment, but also with the second generation composed of Hispanic consumers looking to start businesses and purchase homes. Hispanics represent a much deeper part of our society, and it’s great to see our board really embrace that concept.”

Suddenly we had powerful buy-in to target this strong, unified buying population that places great value on personal and family relationships.”

Although Coopera identified several different segments in the credit union’s field of membership, its analysts recommended Gogan and Stapp concentrate on the first generation, bilingual Hispanic workforce.

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Coopera found that more than 12,000 individuals met categories of this segment in San Francisco FCU's field of membership. Members of this group are first-generation Hispanics between the ages of 25 and 54. They may have immigrated as a child or as an adult and still identify heavily with the Hispanic culture, yet they are bilingual.

Gogan and Stapp say the data analytics is about more than getting to know this critically important market; it also gives them a baseline measure of their overall Hispanic growth program. "Now we can work and tailor our products and services with a plan to generate measurable results," said Gogan. "What's more, we now have a task-oriented framework for reaching out to other demographics, other neighborhoods in San Francisco that can benefit from a relationship with San Francisco FCU."

This work on evolving its Hispanic outreach is only the beginning of San Francisco FCU's data-analytics strategy. Like many of their counterparts across the U.S., the credit union is focusing more and more on analytics and is right now getting its arms around the "overwhelming" number of potential data sources it can use to generate a more defined business intelligence plan. In addition to Coopera, Stapp predicted the credit union will work with a variety of vendors, including credit bureaus, MCIF systems, social media partners and its core processor, to build out a blueprint for monitoring and modeling member behavior, as well as to monitor the development of key consumer trends. "We are already much more data intensive than we've been in the past. The purpose of all the slice and dice is really to work with our members in a smarter way." ■