The Data-Driven Credit Union: Powering Transformation with Advanced Analytics

April 20, 2018

Our Value Proposition and Differentiation

Areas of differentiation for most analytics and tech vendors

Source of value
Data ecosystem
Modeling insights
Workflow integration
Adoption and execution

Integrated AdvantEdge Analytics E2E Solutions and Services

<table>
<thead>
<tr>
<th>Data Transformation Strategy</th>
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<tr>
<td>Business Consulting Services</td>
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</table>
Growing Clients, Team and Endorsements

Growing Client List

Growing Team + Endorsements

Key Endorsements

NAFCU

Growing Team

130 + AdvantEdge employees

25 + Data Scientists

20+ Data Engineers

20 + Data Translators

+ 115 clients from Acquisition of Sequan

Before we begin – a quick poll
What % of all data in the world was created in the last 2 years?

- 30%
- 50%
- 90%
Data and Analytics is a key priority for Credit Unions…

73% of credit unions see analytics as a way to significantly transform the way they do business.

Common business priorities
- Grow member base
- Deliver a best in-class digital member experiences
- Optimize risk and manage losses
- Grow number of products per member and wallet share

…but most credit unions have been unable to drive business value

- 26% Have business-driven analytic initiatives
- 72% Indicate most of their member data is NOT easily accessible
- 9% Have a comprehensive front-line adoption approach

SOURCE: CUNA 2016 credit union member survey on data and analytics
The case for change

Driving analytics led transformation

2018 ≠ 1980

1 Costs of data storage and processing

2 Data availability

3 Math

- Basic demographic data (e.g., city, income)
- Transactions data (e.g., ATMs, mobile-apps)
- Regular survey / satisfaction data
- Call center (e.g., customer interaction notes)
- Inputs from RMs (e.g., sales logs)
- Wholesalers (e.g., payment history for SMEs)
- Utilities (e.g., payment record)
- Gov. agencies (e.g., tax payment report, updated demographic data)
- Telcos (e.g., top-up patterns, monthly bill payments)
- Website navigation data
- Comments on company’s page / website
- Social media sentiment
- Video analysis of customer footage

Where are the opportunities?

Three ways advanced analytics is driving value creation

1. Boosting traditional P&L levers
   - Accelerating growth
   - Enhancing productivity
   - Improving risk control

2. Finding new sources of growth

3. Delivering the digital bank

Not just FinTechs – the best incumbent credit unions and banks are on the move…

Leading banks are investing

17-20% of their EBIT to support large-scale digital and analytics transformations

- Building an arsenal of data and analytics capabilities
- Radically reshaping key customer journeys
- Modernizing their technology infrastructure
- Redesigning organizations and operating models to achieve agility and innovation
... focused on driving next generation of retail banking

Call centers
- 50% efficiency gains over next four years
- Powerful source of customer insight for better selling and advice

Bank branches
- 40% efficiency gains over next four years
- Powerful source of customer insight for better selling and advice

Automation
- 70% efficiency gains in the next four years
- Far fewer errors than outsourced workforce

Mobile banking
- 70% interactions on mobile over the next four years

The case for change

Driving analytics led transformation
Where do most data analytics engagements fail?

Data gathering
Model development
Workflow integration
Deployment and adoption

Delivering impact requires more than just data and models

"Analytical impact at scale is
• 10% analytics
• 90% end user adoption

Most companies fall short on the latter"
Building a world-class data analytics organization requires focus on 6 key elements

![Vision and strategy
Organization & Talent
Data
Modeling tools & techniques
Value assurance
Agile Culture](image)

Prioritization exercise to assess most impactful analytics use cases and customer journeys and build a roadmap

<table>
<thead>
<tr>
<th>Use case prioritization</th>
<th>Feasibility and risk considerations</th>
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<tr>
<td><strong>Impact considerations</strong></td>
<td><strong>Data</strong></td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>What is the alignment with the business aims and aspirations?</td>
</tr>
<tr>
<td><strong>Business</strong></td>
<td>What economic benefits can be realized (and when)?</td>
</tr>
<tr>
<td><strong>Customer</strong></td>
<td>What improvements can be made to customer perception?</td>
</tr>
<tr>
<td><strong>Feasibility and risk considerations</strong></td>
<td><strong>Capabilities</strong></td>
</tr>
<tr>
<td></td>
<td>Where is the organization today relative to aspirations?</td>
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<tr>
<td></td>
<td><strong>Obstacles to change</strong></td>
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<td></td>
<td>How will internal politics/change management perspectives and external environment help or hinder change?</td>
</tr>
</tbody>
</table>
Several organizational archetypes for analytics

- **Completely decentralised**
  - CDO unit
  - Data owner units

- **With CDO**
  - CDO unit
  - Data owner units

- **Completely centralised**
  - CDO unit
  - Data owner units

**What is the most difficult analytics role to hire?**

A. Data Scientist
B. Data Engineer
C. Business Translator
D. Workflow Integrators
The most critical talent to find are ‘translators’ who can bridge different functional areas.

A strong data foundation is a key enabler.
Value leakage in the “last mile” is usually driven by inability to activate the insights appropriately.

An Agile way of working key to bringing multiple skillsets together.
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