Location Analytics for

Banking

A Knowledge Brief

esri®

Improving Business Performance with Location Analytics

This use case details the use of location analytics throughout a retail bank. At its core, banking is a location-based business. By understanding the location of customers and their transactions—both home and business dealings—a bank can better manage its branch networks and merchants and understand the competition and regulators.

In this use case, a retail bank has had a network of branches and ATMs in place for more than 20 years. The business continues to perform, but profits are declining and competition is changing as new companies enter the market and existing competitors relocate their facilities.

The bank realizes it needs to optimize its own network, grow customer wallet share, and deliver improved products and services by

- Leveraging its existing customer base and merchants together with its branch and ATM network.
- Improving market understanding to put the right services at the right time and place for everyone.
- Increasing customer loyalty, attracting new customers, and minimizing competitive pressure.
- Generating higher usage and greater financial returns from investments in existing facilities.
- Reaching its target customers through marketing campaigns ahead of the competitors.
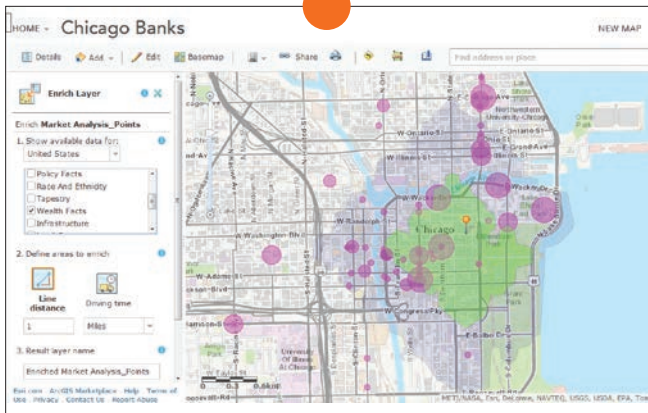
Based on analysis of its own customer information files, bank staff members were able to quickly identify, visualize, and analyze key factors influencing the performance of individual branches. This provided insight into how those patterns changed across the network based on differences in demographics, urbanicity, time of day, and day of the week, as well as competitive products and services. Using Esri® Location Analytics, they were able to see not only considerable variation in the profitability and performance of each branch but that some branches also significantly outperformed their market potential while others lagged far behind.

Using data obtained from business intelligence (BI) data, master data management (MDM), and mobile banking systems, the bank was able to pinpoint the location of all home and business customers and their transactions. This information was able to be visualized in the context of the bank's own branch networks and merchants as well as with the competition. This resulted in new understanding that enhanced the customer experience while minimizing both cost and risk to the bank.

Using the outcomes of the data discovery and analysis, bank staff found five key factors that strongly influenced the use of its ATMs and branches:

- Concentrations of high-income households (annual household: $70,000 and above) living in neighborhoods with a wide range of restaurants and shops, recreational facilities, and commercial buildings
- A daytime population that consisted of a minimum of 30 percent service industry jobs and a high index of retail spending
- Branches that offered large foyers and weather-protected ATMs directly accessible from the street
- Facilities within 100 feet of coffee shops, transit hubs, and drugstores
- An existing competitive location or alternative service provider within 250 feet

Analysis of the top 10 percent of customers revealed

- Average annual revenue per customer is 38 percent higher for customers who use online and mobile banking.
- Customers of 10 years or more are 25 percent less likely to purchase new products or seek financial planning advice than new customers acquired online or through e-mail marketing campaigns.

Enriching Customer Insight to Drive Success

Using the newly identified customer segmentation profiles together with the usage and profitability across branches and products, the bank was able to identify and develop new cross sell as well as up sell opportunities. Staff developed marketing campaigns that leveraged both their internal BI and CRM data, with external Esri data to analyze consumer needs and behavior at the microgeography, household, and street levels, rather than at a more generic ZIP code or neighborhood level.

In addition, analysts were able to combine actual sales metrics to measure each individual branch performance against its market potential to understand the *why* behind the *what*. This meant that the bank moved away from broad demographic segments to more targeted segments that were unique to each branch's territory. Analysts were also able to take into account "big data," including online and offline transactions, response to offers, lifestyles, and the impact of competitive products and networks.

Analysis gathered from ongoing metrics showed that the performance for all branches in the metro area where the system was tested improved by 14 percent over the previous year. Individual performance gains were made across the entire range of products and services, with some branches seeing growth of 20 percent or more in areas once dominated by the competition.

Finding the Right Products and Locations

Based on insights gained through this analysis, the bank developed a range of new, highly tailored products that were closely tied to consumer and business demographics. It was able to identify staffing skills and training needs for each branch. It also closed, relocated, or remodeled facilities that were not meeting market potential.

By understanding how competition, supply and demand, and consumer demographics impacted its profit and performance, the bank identified the locations where it could maximize profitability and financial performance. It also identified market gaps and underserved markets. Using visual discovery, interactive maps, and intelligent site modeling tools, the bank ranked its branches and reduced its footprint by four branches. This action brought increased profitability, maintained customer loyalty, and grew market share.
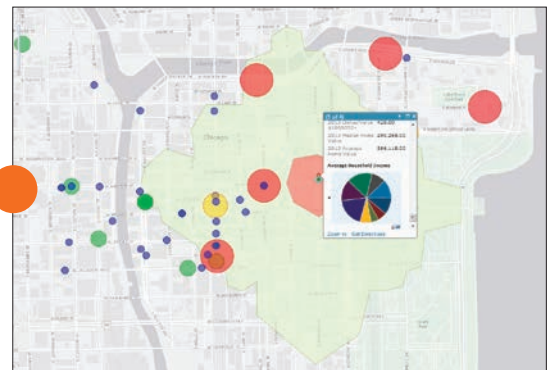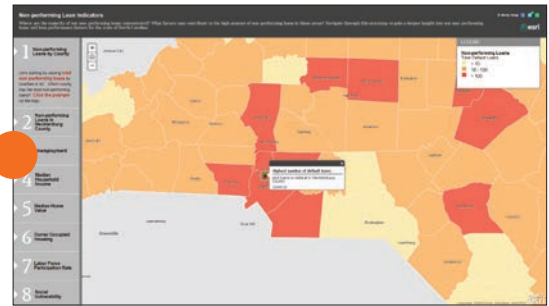
Gain More Insight from Your Data and Systems with Location Analytics
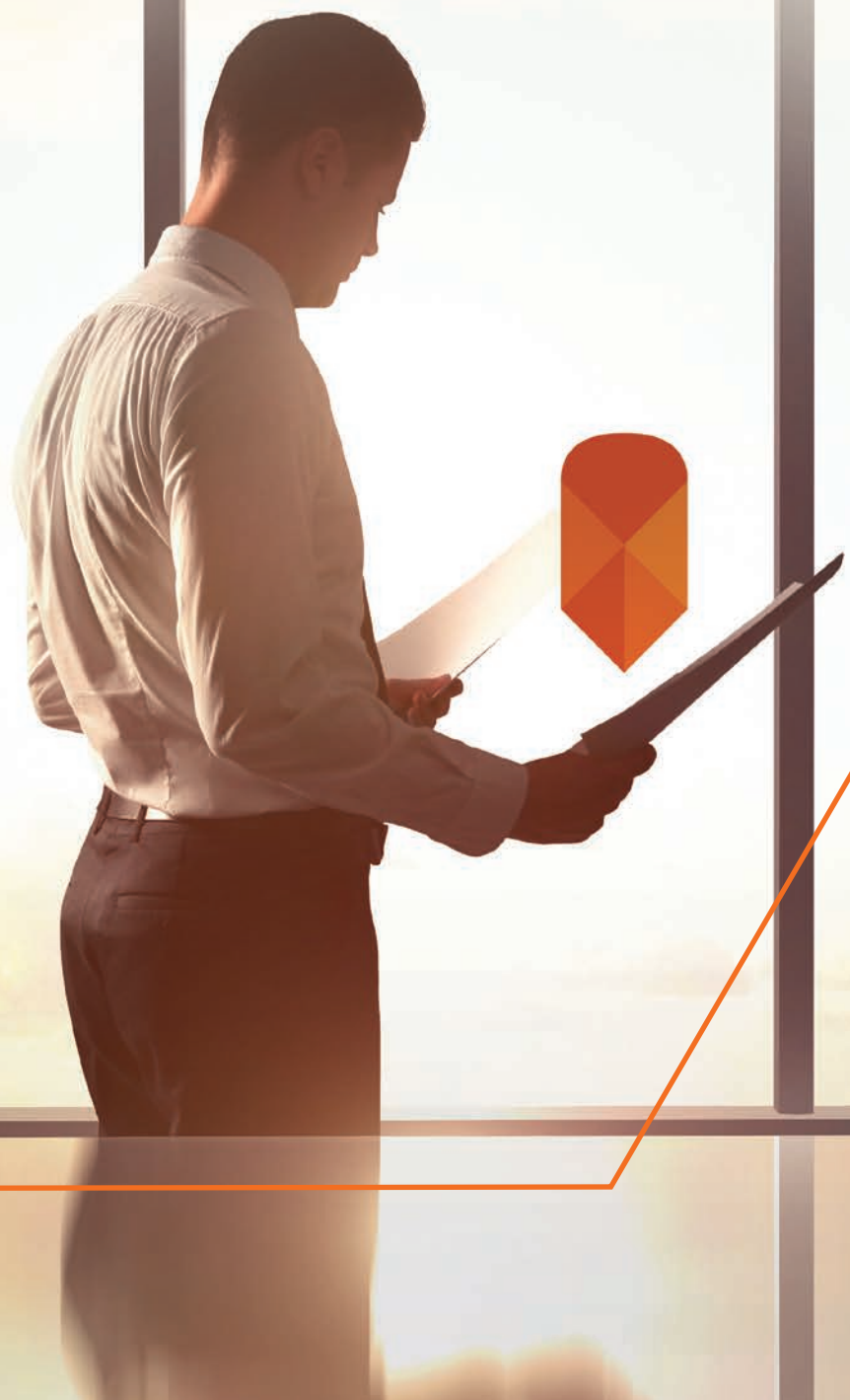
7/10 7 of the top 10 global banks use Esri Location analytics

10% Geo-enabled banks improve their branch efficiency by over 10% compared to peers

30% Banks using location analytics acquire 30% more new customers

Location analytics leverages and enhances your data and systems to gain insight more quickly. Interactive maps incorporated into analyses and dashboards simplify the complex and are a powerful platform for collaboration on key business issues—throughout your department, across the country, or around the world.

Esri Location Analytics solutions are available as tightly integrated extensions to your existing business systems through custom installations for all BI, ERM, ERP, and CRM platforms or off-the-shelf solutions for

- Microsoft Office
- IBM Cognos
- MicroStrategy
- Microsoft SharePoint
- Microsoft Dynamics CRM

▶ Find out more about how to become a leader in location analytics for financial services and outcompete your competition at

esri.com/locationanalytics.

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Understanding our world.

Esri inspires and enables people to positively impact their future through a deeper, geographic understanding of the changing world around them.

Governments, industry leaders, academics, and nongovernmental organizations trust us to connect them with the analytic knowledge they need to make the critical decisions that shape the planet. For more than 40 years, Esri has cultivated collaborative relationships with partners who share our commitment to solving earth's most pressing challenges with geographic expertise and rational resolve. Today, we believe that geography is at the heart of a more resilient and sustainable future. Creating responsible products and solutions drives our passion for improving quality of life everywhere.

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