Your Voice

Don't Be Intimidated

The trend toward big data shouldn't scare you. Lenders can use big data to bring in big volume.

By Jim Blatt

Athletes all know that technology matters – whether you are a golfer, tennis player or runner, there is a huge difference between the quality of your equipment today versus 10 years ago. Technology has made a real difference. The same is true with marketing. Lenders that harness the power of Big Data are seeing strikingly better results than those who are still using traditional mass marketing. It's time to hang up the persimmon woods – they look nice, but they simply don't achieve the same result.

Many lenders are looking at marketing as "set it and forget it." The good news – it works! The bad news – this traditional, mass marketing approach where everyone gets the same message is not effective. It has proven to be much less effective than executing messages that are customized to each individual using Big Data. Lenders are able to customize messages with the same level of cost and effort provided they have a complete CRM solution that harnesses the power of Big Data. There is a reason Tiger Woods doesn't use a wooden driver – he wants to win. If you want to win in an increasing competitive marketplace, you need the right equipment.

FOCUSING ON EXISTING CUSTOMERS FIRST

Before diving into the value of leveraging Big Data for marketing efforts, we first need to understand the basics. Did you know your best prospects are former clients? Have you ever thought about why it is important to stay in touch with borrowers after closing? Past customers are your greatest future sales leads because they know your quality of work and will return to you again when the time comes, provided you are maintaining your relationships at a meaningful level. On average, customers purchase a new house every seven years, which means 14 percent of a lender's customers are purchasing a new home each year. When you put into the mix shorter duration loans, like 5-year ARMs and second homes, the numbers become closer to 20 percent of your database doing a transaction each year. In the meantime, if the homeowner is not in the process of shopping for a new home, they will refer business to friends and family if they continue to be impressed with their own experience.

We know that professional loan officers create a strong relationship with the borrower during the loan process. This relationship peaks between application and closing, when the borrower gives the loan officer all of their financial information and fully relies on him to help complete one of the most complicated and important transactions of their lives. Borrowers trust the loan officer to help them choose the right product and shepherd them through an intimidating loan process. But after closing, originators lack the time and discipline to remain engaged in the borrower's financial situation, and the quality of that relationship declines. A lender goes from a trusted financial advisor back to an acquaintance. Originators often use the best marketing available to them – mass marketing using little data, where every homeowner gets the same message, in order to maintain contact with them. The problem

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with this is that lenders have built that relationship based on financial expertise and advice. They can't possibly fully maintain your relationship by simply wishing someone, "Happy Thanksgiving."

If your goal is to have customer retention as a primary generator of leads, you need a system to manage the information about your relationship with the former borrower. Many originators lack the systems to accomplish basic tasks, like monitoring for refinance opportunities. With the recent volatility in interest rates and the knowledge that rates will go up and down over time, originators interested in winning the long race need systems to support their efforts. It's a straightforward concept – demonstrate to borrowers that you are still invested in the relationship; that the same level of active, professional financial management and stewardship still exists after the sale – and you will be rewarded with repeat business and referrals.

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Now, the hard part – how do you manage Big Data to get the type of benefits you need? No one goes into mortgage banking with a desire to be a data manager translating the 10,000 data fields that is part of each individual homeowner's record into something that can be implemented, useful and effective for marketing purposes. Making sense of all the data that is housed in the LOS is almost too daunting a task to handle, which is why it seems easiest in the short run to send out a simple mass marketing mailer that barely works. In addition, many lenders structure their marketing for 3-5 years in the future at the time of closing. Given the dynamic mortgage marketplace, you can't possibly predict the type of messages you want to send 3 years from now, unless you restrict yourself to the simplest, least specific messages. Unfortunately, those are the least effective.

The problem isn't you – it's your equipment. You need a modern system that can harness the power of Big Data, manage the relationships and generate automated marketing that is relevant to the individual.

UTILIZING LITTLE DATA VS. BIG DATA

Lenders who are traditional mass marketers use little data, generic pieces of the borrower's contact information, for marketing. Lenders who want to win use Big Data, which utilizes the salient aspects of that individual borrower, the full scope of the relationship, and leverages that information to create meaningful messaging designed to resonate on a case-by-case basis. No two customers are alike, so why should their marketing message be? Big Data allows for one-to-one marketing because it looks at each borrower at a granular level and picks out details of their particular account, loan and financial situation and then tailors their communication to reflect that borrower's circumstances. Big Data also takes into account market conditions, interest rates, loan products and changing regulations that impact that particular borrower's situation. As market conditions change, so should the marketing message. A loan officer who clearly demonstrates a commitment to monitoring the mortgage market for opportunities for customers to save money will win that customer's loyalty for the long run.

In order to maintain quality relationships, lenders should position themselves as counselors to their customers even after the sale, and communicate how they will manage the loan over the long term. Most importantly, the lender must be able to deliver on that promise by ensuring the proper systems and tools are in place to do so. A complete CRM, or database management system, transforms at a granular level the seemingly bottomless amount of Big Data on that borrower into a source of useful Intel. This enables the lender to personalize and customize marketing messages that apply to that individual borrower, such as alerting them to alternate programs and money-saving opportunities. By turning from little data to Big Data you transform that borrower into a customer for life. And, you don't need to work harder or spend more money. You will simply have better results.

KNOWING IF BIG DATA WORKS

It's nice to talk about generating great results. A complete CRM will include reporting that shows you exactly where you are, how you compare to peers, and your trend. John Wanamaker famously said in the early 1900s, "half the money I spend on advertising is wasted; the trouble is I don't know which half." If you are using technology that still doesn't measure results, it's time for an upgrade.

The good news is that measuring results is really not that complicated. First, you need to understand your objective. There are a few common objectives that originators have:

1. Receive past customers' next loan (customer retention).
2. Generate more referrals from past customers.
3. Improve prospect conversion rates.
4. Engage realtors with in-process marketing to borrowers.
5. Strengthen relationships with referral partners.
6. Impress prospective employees.

Tracking this measurement is where technology comes in. It can be complicated tying referral partners to homeowners' records, associating related parties, de-duping the database, tracking the real source of new loans, etc. The key is a complete CRM that includes sophisticated database management. While you can track and measure results by manually downloading data, making calculations and spending several hours with a spreadsheet, it is much easier to simply press a button.

By getting a measurement of your retention, comparing it to peers and executing relevant one-to-one marketing, you will know if you are maximizing your results with Big Data, or stuck using old technology. ❖

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