It's All in the Numbers

Seven Proven Metrics for Driving Marketing Performance

HARLAND CLARKE

Introduction

A study by the Fournaise Group indicates that CEOs aren't comfortable with marketers' business acumen or their mastery of performance metrics and return on marketing investment (ROMI).[1] Marketers know that their initiatives and activities need to be metrics driven. But do you know which metrics should be driving your marketing? The following seven metrics are ones that every financial services marketer should know, as they are proven to drive performance and boost the top line.*

[1] The Fournaise Group, *2013 Global Marketing Effectiveness Program Survey.*
*Each organization may measure account holders, customers or household differently, depending on technical capabilities and/or Marketing Customer Information File capabilities. For the purposes of this exercise, the key is to keep the unit of measure consistent.

1 Profitability and Revenue

Because your finance department usually "owns" profitability and revenue, it's wise to count this as a key metric. In fact, you'll get more buy-in for your programs from finance when you use their numbers to prove the value of your marketing initiatives.

For financial institutions, the focus is typically on customer/household profitability. Yet many lack the capability to determine profitability at this level. If that's the case for you, use customer/household revenue to help determine the relative contribution of marketing to your organization. Then measure profitability (or revenue) by account holder segment. Doing so will enable you to improve targeting and optimize your marketing.

The reality is, not all account holders are created equal. Some represent more revenue potential — whether more deposits, the ability to borrow more and/or the likelihood to use services such as debit cards — that drives interchange and non-interest income. That said, depending on your competitive landscape and brand, your institution might be challenged to attract these different segments. Building a segmentation program that helps identify and quantify these factors is an intensive, yet necessary, process. Many financial services marketers find they are best served by collaborating with a third party that provides modeling expertise and additional data that can be used in developing these strategies and tactics.

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2 Number of New Account Holders/Households

How many new account holders/households does your financial institution attract monthly? Annually?

In most cases, growth is important. However in some situations, growth alone does not tell the entire story. For example, perhaps your institution is expanding its account holder portfolio, but profits remain steady or are in decline. It's possible that your marketing efforts may be attracting less profitable or unprofitable account holders.

That's why profitable growth is so important. And optimizing acquisition costs and improving ROMI is key to achieving this type of growth. You can do so by focusing on higher value prospects because they can generate higher profits. While these potential account holders are highly sought after by their current providers and your competitors, it's worth your effort to pursue them. After all, if you do capture and properly onboard these account holders, their upside potential can offset any incremental expense. But doing so depends on having the programs in place to capture the potential.

3 First-year Attrition

How many account holders/households leave your financial institution within the first 12 months of opening their first account with you? This metric indicates several very important points. First, it provides insight into whether your customer and brand experience delivers on the promise of your marketing. From the moment account holders engage with your financial institution in the branch, online or at an ATM, the experience needs to be congruent with their expectations. Second, it tells you whether your account opening and onboarding efforts fully engage account holders with the right products to satisfy their needs. If not, they may choose to look for another financial institution.

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4 Portfolio Attrition

How many account holders/households leave your financial institution after the first year of opening their first account? The more products an account holder has with your financial institution, on average, the longer he or she will stay with you.[2] Ongoing and smart cross-sell programs help improve retention and reduce attrition over time by encouraging uptake of more products.[3]

Products and services work together to improve the lifetime value of that account holder to your organization. Even simple acts like recognizing five- and ten-year anniversaries, and sending holiday cards and thank you communications encourage deeper, longer term relationships and longer-than-average tenure, which all result in higher profitability.

In addition to boosting the number of products in each account holder's portfolio, it's critical to measure cross-sell products by customer segment. For example, debit card usage by younger account holders is most likely an indication that your financial institution has achieved "primary financial institution" status with this group. Ongoing check writing might prove to be a better leading indicator of your institution's status with an older account holder segment.

5 Net Change in Account Holder/Household Portfolio

This metric calculates the difference between the number of new account holders/households and the number of account holders/households that attrite in a given period. It will tell you the number of new account holders/households you need to acquire in order to offset attrition.

Surprisingly, many marketers do not know how many account holders they need to attract to offset attrition. But knowing this metric — based on average account holder/household revenue/profitability contribution — can help you achieve your targeted goals.

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[2] Harland Clarke National Banking Industry Database.
[3] According to Harland Clarke Financial Industry Studies (2017), most cross-sell takes place in the first 90 days of account opening.

6 Number of Products Per Account Holder/Household (Cross-sell or Product Penetration)

In addition to revenue per account holder/household, this metric is one of the more challenging numbers on which to gain agreement. The question within most organizations is often what, or what not, to include in the measurement. The answer depends on your organization's capabilities to capture and accurately report on the information.

That said, it is best to measure cross-sell performance during the account opening process, 90-day or one-year mark, and as part of your portfolio cross-sell efforts. Segmenting these various periods enables you to measure and view the effectiveness of the account opening process along with onboarding and cross-sell efforts, throughout the account holder lifecycle.[4]

From a marketing perspective, the ability to drive this key metric and measure the revenue/profitability of incremental products is essential. Generally, increasing the number of products per account holder dramatically improves retention and profitability. The good news for marketers who are being challenged to improve their ROMI is that it's much less expensive to expand and improve this number than it is to invest in new account holder acquisition.

Additionally, marketers often spend significant time trying to improve performance by converting the number of single-service households to two-product households. However, the ROMI of moving two-product or service households to three products is measurably better since these account holders have already shown a proclivity to utilize your financial institution. (Remember, the incremental profit per additional product is a number best provided by your finance group.)

[4] According to Harland Clarke Financial Industry Studies (2017), most cross-sell takes place in the first 90 days of account opening.

7 Advertising Spend on Brand Marketing Activities

It is important to track and separate acquisition activities/spend from other marketing activities. After all, most financial services marketers are evaluated, for better or for worse, on their ability to attract new account holders. That's why you — and your organization — need to understand the opportunity costs of acquisition when compared to other marketing activities that may yield higher ROMI.

By their very nature, brand marketing communications are more interesting and exciting than onboarding and cross-sell activities. However, it is important not to over-invest in acquisition at the expense of more effective onboarding and cross-sell activities. While these activities often don't get the same attention as those dedicated to brand marketing, they do drive extremely positive ROMI.

It's critical to track and measure these seven metrics, but numbers alone are not enough to build a marketing plan or improve your marketing decision-making. The key is to understand and use these numbers in conjunction with each other and optimize them in the context of your organization's performance and market opportunities.

Harland Clarke's Portfolio Analytics helps financial institutions make the most of their marketing investment by comparing your own portfolio performance metrics to industry and peer benchmarks, illuminating opportunities and risks. We then deliver a customized action plan — based on your actual data — to help you produce superior results.

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