Seven Dashboard Metrics

Financial Services Marketers Can't Afford to Overlook in 2014

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Like other financial services marketers, you likely track numerous metrics to determine and prove the value of your initiatives and activities. However, as you plan for 2014, consider these **seven key metrics** to help drive high-performance marketing decisions and grow revenue.

1. Net Present Value

Until recently, deposit growth was the major driver of marketing program efforts and resources. The problem is that this metric only represents a one-dimensional view of the customer within a very defined period, or a snapshot in time. The true measure of success is understanding the value that account holders bring to the financial institution over the lifetime of their relationship with the institution. You can determine this by calculating the Net Present Value (NPV) of all income streams, or of the cash flows of all the products and services used over the lifetime.

While this approach is best for marketers, they must address two challenges along the way:

- Converting income streams — even those that occur further out in the account holder lifecycle — into today's values to compare all account holders the same way
- Gaining buy-in from those in other areas of the organization — most importantly Finance and the C-level suite — that NPV is a valuable metric

Here's how this calculation plays out. Let's say an account holder, "Cheryl," maintains a checking account with an average balance of \$10,000. The bank may view Cheryl as a good account holder based on her average balance. But it's possible that an account holder "Dwayne," with only \$5,000 in deposits, uses his debit card frequently — generating interchange income — and incurs NSFs four or five times per year, making him more profitable than Cheryl.

By calculating the NPV of each account holder and understanding the time value of cash flows of different products or services, financial institutions can more accurately compare how different account holders affect the bottom line. Moreover, financial services marketers can better determine their return on marketing investment, and attract account holders more likely to be profitable over the lifetime of their relationship with the institution.

2. Mix of Small Business to Retail

Most financial institution marketers are focused on acquiring and retaining retail accounts. After all, it makes for more exciting marketing activities. But the reality is that small-business accounts tend to be significantly more profitable than even the best retail accounts. While it costs more to acquire small businesses, the investment is well worth it – these accounts are significantly more profitable than retail accounts, depending on the types of businesses the financial institution can attract. According to a BAI Research study, small businesses rank among the best accounts a bank can have when it comes to institutional loyalty and share-of-wallet value.[1]

That said, financial institutions need both retail and small-business accounts, and should address both in their acquisition goals. As you consider your metrics, determine the mix of small business to retail and devise strategies to grow the small-business share over time.

Sometimes financial services marketers measure attrition rates, sometimes they measure acquisition rates. But the real measure of progress is understanding the net gain or loss of the portfolio. You can determine this by subtracting first-year attrition from the number of account holders acquired, minus portfolio attrition. It's fairly easy to predict annual attrition rates. And first-year attrition rates are generally about 50 percent higher than the portfolio attrition rate.[2]

3. Portfolio Net Change

Let's assume a bank has 100,000 account holders in its portfolio and first-year attrition is 20 percent. If the bank acquires no account holders that year, it is left with 80,000 account holders at year-end.

With this insight, you can better gauge your marketing investment for acquisition, along with costs for onboarding and cross-selling to keep attrition in check. In this case, you will need to determine what it will take and how much it will cost to attract 20,000 or more account holders to replace the 20 percent lost.

Well-informed marketers also know that first-year attrition is often higher than portfolio attrition. For this scenario — to fill the gap caused by portfolio attrition — you will need to bring in more than 20,000 new account holders to achieve a net number of 20,000 new account holders. This enables you to account for first-year attrition among the new group. At the same time, you will want to focus on new account holders that generate the most profitability while optimizing existing account holders in terms of cross-sell and retention.

Rather than simply building a marketing plan based on last year's plan, it's better to figure out portfolio attrition and first-year attrition and how many new account holders are needed to replace account holders that were lost.

[1]BAI, *Turning Small Business into Big Business,* March 11, 2013
[2]Harland Clarke National Banking Industry Database

4. Marketing Mix

A recent eMarketer report reveals that digital media spending by the U.S. financial service industry will exceed $5 billion this year and hit $7 billion by 2017. Financial industry marketers will reportedly invest 62 percent of their 2013 digital budget in direct response campaigns and just 38 percent in brand-focused campaigns.[3] That trend will likely continue because consumers and businesses alike increasingly turn to digital channels. Plus, these channels are measurable and generally less expensive as marketing vehicles. Also, with people spending less time in their cars — with the average number of miles driven by Americans heads into its eighth year of decline[4] — or watching traditional broadcast TV, traditional ad channels aren't going to be as effective as they were in the past. Even as marketers shift more spend to direct marketing, they must understand how all other tactics affect the direct marketing strategy. By understanding all the data points associated with various marketing activities and tactics, you can optimize and achieve the proper mix of direct and traditional marketing. It is critical to overlay the various tactics since they often work in conjunction.

Let's assume you determine that 20 percent of leads are being generated via SEO measures. You should also take into consideration whether or not your financial institution ran a TV campaign, for example, encouraging consumers to conduct a comparative search during the same time frame.

If you can't come to a conclusive decision by reviewing the numbers and trends, run tests. For instance, if you are running a TV ad, does online activity spike? Does a higher investment in one digital channel affect performance in other digital channels?

5. Email-related Metrics

Email is one of the least expensive and quickest ways to communicate with account holders, which is why it is critical to capture email addresses. Yet financial institutions, on average, only capture email addresses for 20-40 percent of new accounts. Some bank and credit union employees feel it's an invasion of privacy or too time consuming to ask for email addresses so they are reluctant to request it. In addition, employees in the front office may not understand the impact of email communications on marketing costs and how it detracts from account holder interactions when the financial institution lacks account holder email addresses. Financial institutions should adopt an assumptive approach and directly request a new account holder's email address, just as they request the phone number and mailing address.

The same is true of mobile numbers. Because a growing number of consumers are forgoing landlines for mobile phones, it's critical for front line employees to collect this contact information so the bank can quickly notify account holders about offers or account-related issues.

Once you are communicating with account holders via email, you should track delivery and open rates. Without accurate email addresses, these rates decrease. If you successfully deliver communications via email, but account holders don't open them, you should assess and test modifications to subject lines and content.

[3]eMarketer, *The US Financial Services Industry 2013: Digital Ad Spending Forecast and Key Trends,* July 2013
[4]U.S. Pirg, *New Report: Reduction in Driving Likely to Continue,* May 14, 2013

6. Unique Site Visitors

Many financial institutions see a significant number of visits to their website, and it's easy to get excited by this number. But existing account holders may visit the site to access online banking multiple times in a month, meaning their visits are in no way related to marketing campaigns. As a result, the number of site visitors per month is an inflated metric for measuring marketing success.

It is better to understand the number of new visitors to your site, which marketing tactics drove them there and the impact. For example, if you run a TV campaign and visitors to the site spike, the next important metric is how many of those visitors open an account online.

7. Return on Marketing

When financial services marketers measure the effectiveness of their marketing activities, they tend to focus on response rates. However, the true measure is the return on marketing dollars. Just like marketers in other industries, financial services marketers are under more pressure than ever to prove their contribution to the bottom line. Understanding this requires accurate measurement of valid objectives. Remember, it's not just about driving people into the branch – it's about attracting and adding qualified account holders to the portfolio.

According to Andrew Hayes, managing partner and CEO/CMO recruiter for Russell Reynolds Associates, mature marketing organizations accurately track marketing spend and analyze business impact and return. Moreover, rather than rest on their return on marketing investment laurels, top performers insist on annual improvements.[4]

You can run a campaign that results in significant account acquisition, leading to a declaration of success. But if the cost of the campaign outweighs the value of the new business, the financial institution ends up losing money. For instance, let's say your bank or credit union runs a marketing campaign promoting HELOCs. While the multichannel campaign generates a significant number of responses and applications, the marketing team must understand how the CEO and CFO will gauge the success of the campaign – before executing the campaign. In this case, success may be based on the number of qualified applicants who open an account, purchase a product or pay off their loan.

Once you understand the most relevant success metrics, you can dig deeper to identify the best targets for your campaign, such as those consumers with a low loan-to-value ratio and strong credit history. By tracking and analyzing the metrics outlined above, you can align yourself with the executive team and proactively help your financial institution take measures to boost top-line results.

Harland Clarke helps financial institutions use data and analytics to inform marketing planning and optimize marketing spend. For more information on Harland Clarke's Opportunity Analysis and other analytics offerings, call ***1.800.351.3843****, email us at* ***contactHC@harlandclarke.com*** *or visit* ***harlandclarke.com/marketing****.*

[4]CMO.com, Seven Metrics to Prove Marketing's Worth, cmo.com/content/cmo-com/home/slide-shows/slide-show-seven-metrics-to-prove-marketings-worth.html