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The Big Six: *Must-Know Marketing Metrics*

As a financial services marketer, your job is evolving. You are being asked to do more, contribute more, and prove your value. Expectations are high that your efforts will go far beyond tactical marketing initiatives to truly help your organization reach its strategic goals.

Savvy marketers today must not only plan and implement marketing campaigns — they must also measure the effectiveness of their efforts. With that in mind, we offer six metrics that we believe financial services marketers must embrace to drive performance.

1 Propensity to Buy

As a marketer, it's critically important to know where to spend your hard-won marketing dollars. Understanding your account holders' and prospects' propensity to buy certain products and services can go a long way toward improving the effectiveness of your marketing spend. This in turn ensures the best return on your marketing investment.

Marrying your institution's own data with purchase potential models lets you quickly assess which account holders and prospects have the highest propensity to buy a specific product or service. Similarly, a "next-most-likely" product model can tell you the "next" product or service they are likely to purchase.

With this information, you can focus acquisition and cross-sell initiatives on offering only those products and services your target audiences are most likely to buy. As such, you can expect a better response rate and greater return on your marketing investment.

2 Cost per Acquisition

Cost per acquisition is a key measure of the impact of your acquisition programs. Getting to this number is easy: Simply divide your acquisition costs by the number of accounts generated. But don't stop there. You'll also want to know 1) how your cost per acquisition compares to peers; and 2) how profitable the acquired accounts are.

There are a number of industry associations and financial services firms that can help you see how your cost per acquisition stacks up.

Determining account profitability will require a conversation with your chief financial officer (CFO) to quantify the value of the accounts generated. For example, say it costs you $1,000 to acquire a new $500,000 mortgage. What is your institution doing with that mortgage — selling it or servicing it? If the former, what's the sales commission your institution earned and what's your net profit? If the latter, how long will the mortgage likely stay on your books, and can you use your net interest margin to determine the year-to-year value of that mortgage?

Knowing your cost per acquisition — along with the profit you're generating for your institution — is how you prove marketing value.

3 Loan-to-Deposit/Loan-to-Share Targets

This ratio is used to assess an institution's liquidity and guides executives and boards in developing strategic plans. This target is important to marketers because it establishes a very clear goal for several elements of your marketing plan.

Say your institution's loan-to-deposit ratio today is 75 percent. This means that 75 percent of your deposits are loaned out to account holders. If next year's plan is to increase the loan-to-deposit ratio to 80 percent, that's a measurable goal. You're going to market loans to raise that number by five percentage points. On the other hand, your institution may decide to lower the loan-to-deposit ratio to 70 percent, in which case you'll want to focus on marketing deposits or other non-loan products.

Economic forces will impact the board's decision on which direction this measure should go. For example, if interest rates rise, the institution will pay out more in interest on deposits while simultaneously earning very little interest on long-term loans inked in the past few years. This diminishes the institution's spread. If interest rates rise, the board may want to increase the loan-to-deposit ratio. You will then want to market higher-interest loans to increase the institution's profitability.

The point is that marketers sometimes assume they should be "selling everything." But marketers really need to align with the financial institution's strategic goals.

4 Portfolio Penetration

What are your overall growth metrics in terms of loans, deposits and account holders? All of these numbers figure into your return on assets, which is a measure of your institution's profitability. Knowing these figures will determine how much growth you need in each area to be profitable.

But you can't look at these numbers in a vacuum: One of the keys to planning for growth is determining attrition. Let's assume you have 100,000 account holders in your portfolio and first-year attrition is 20 percent. If you acquire no account holders in the next year, you're down to 80,000 at year-end. Naturally, account holder attrition also impacts loan and deposit numbers.

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'll need to determine what it will take and how much it will cost to attract 20,000 account

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holders to make up for attrition, *plus more* to meet growth targets. Since first-year attrition is higher than overall portfolio attrition, you'll also need to build those numbers into your calculation.

For effective marketing planning, you need to work with realistic numbers. If you don't account for attrition in your portfolio targets, you might not be aiming high enough.

5 Products/Services per Account Holder or Household

Conventional wisdom says the more products and services you provide account holders, the more loyal and profitable they will be to your institution. Knowing your average products/services per account holder or household (depending on what your institution typically measures) is a good way to determine which targets are most worthy of your attention.

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For example, say your institutional average is 2.5 products/services per household, which would typically indicate a checking account, a savings account and maybe a loan or credit card. It's easy to see that households with many more accounts than the average have likely reached their saturation point — selling them more products and services is not likely. However, households with fewer than average products and services are ripe targets for cross-selling.

Of course to cross-sell most effectively, you need to know which products and services to offer which households, which brings us back to our first measure — propensity to buy. Integrating your products/services-per-household data with propensity-to-buy modeling will result in a much higher response to your cross-sell efforts.

One word of caution regarding this average: Because the products/services-per-household number is derived from your entire account holder base, it is not an easy one to move. A realistic goal would be to increase it incrementally over several years. Even a small increase should be viewed as a big success.

6 Return on Marketing Investment (ROMI)

Some financial services marketers only measure the effectiveness of their marketing activities by response rates. Response is certainly one indicator of campaign success since it reflects how favorably recipients viewed your initial outreach. It's especially valuable in assessing the effectiveness of the design, message and call to action.

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Return on marketing investment measures how well the campaign performed in each channel, as well as its contribution to your financial institution's bottom line. You can run a campaign that results in significant response, and that's great. But if the cost of the campaign outweighs the value of the new business, the financial institution ends up with a net loss.

The way to assess ROMI is to follow the money. You need to not only track response, but also track conversion — opened accounts, purchased products or approved loans, for example. But the measure doesn't stop there. Following up with your CFO on the value of these purchased products and services will tell you how much revenue you've generated relative to how much the campaign cost.

Unless your marketing team understands how the results translate into dollars, you fall short of the goal. And yes, sometimes it's difficult to correlate each sale to a specific marketing effort, but don't let that lack of precision deter your efforts. Knowing ROMI helps prove your contribution to your institution's bottom line.

These metrics must be viewed in the context of your institution's long- and short-term goals, historic performance and market position. But digging in and asking the questions that will illuminate these numbers will make you a better marketer and a more valued member of the leadership team.

Harland Clarke helps financial institutions use data and analytics to inform marketing planning and optimize spend.
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