

To: Bank Services

From: Rockwall Analytics

Subject: Analysis of acquisitions campaign - BANKING & FINANCIAL SERVICES

Date: October 7, 2020

THE OVERVIEW

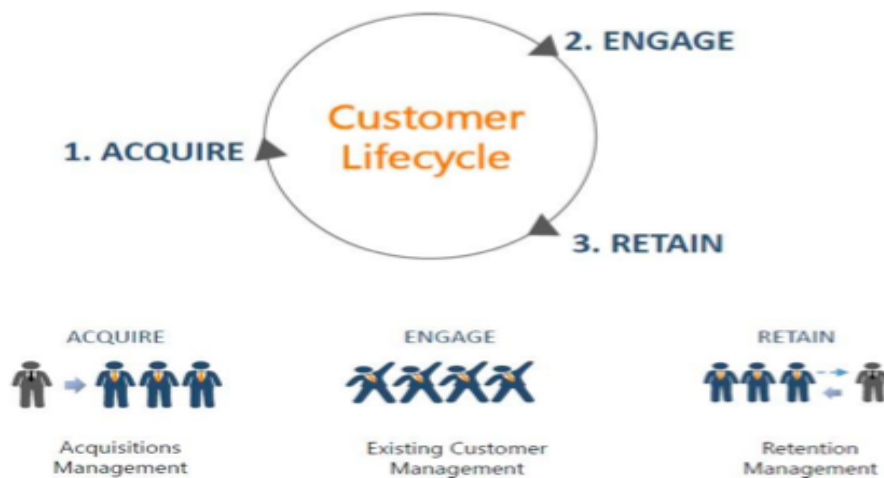
Analytics for customer acquisition in banking – A critical phase of a customer lifecycle



The Back Story

Customer acquisition is the process of acquiring new customers for business or converting existing clients into new customers. Acquisitions of new customers are key and vital element of every firm's growth story

Customer acquisition management is the set of methodologies and systems used to manage customers and leads generated by a variety of marketing channels. It addresses issues like acquiring customers at lower cost, devising acquisition strategies to fulfill yearly targets for new customers, acquiring customers who are indigenous and business oriented, acquiring customers who utilize newer business channels etc.



OBJECTIVE A

The objective of this business case is to share our insights acquainted within a customer acquisition campaign

Response rate is a key metric to be looked for while analyzing an acquisitions campaign and is defined as:

$$\text{Response Rate} = \frac{\text{Total Respondents}}{\text{Total no. of Prospects offered}}$$

Respondents are those prospects who accept the product

Further, to develop an understanding of what factors to analyze so as to improve success of the acquisition campaign

Company Overview

A leading retail bank recently launched a Travel Plus credit card with offers and rewards for travel related spending. To decide the direction for the acquisition strategy and to identify their target prospect base, the bank launched a random targeting campaign to offer the card. In a random targeting campaign, the prospects are selected randomly without any rules to guide

Rockwall Analytics was tasked with analyzing the campaign to find answers to some key questions such as:

- Which channel and age group should be preferred for targeting, so as to maximize the acquisitions campaign response rate?
- What should be the threshold for the APR charged so that more customers can be acquired? *An APR is the effective rate of interest charged on a credit card*
- How does travel spending pattern differ for our respondents and non-respondents? Are we reaching the right customer?

OBJECTIVE B

The objective B is to help build an understanding of retrospective campaign analysis by looking at 2 major metrics that helped us assess the success of an acquisitions strategy

Response Rate and Cost of Acquisition

Response Rate: is a key metric to be looked for while analyzing an acquisitions campaign, its defined as: *Response Rate = total respondents / total no. of prospects offered*. Respondents are those prospects who accept the product. The higher the response rate the better is the success of our strategy

Cost of Acquisition: is the average money spent on acquiring each customer and is roughly defined as: *Cost of Acquisition = total cost of acquisition / total no. of respondents*. The total cost of acquisition is the total cost incurred in reaching to the target prospect base

Challenger Bank

3 years ago, a challenger bank launched a Travel Plus credit card with offers and rewards on travel related spending. Since then they have been targeting the prospects through Direct Mail channel (DM) and have constantly invested in improving their acquisition strategy to optimize their investment and onboard a maximum no. of customers as possible

Rockwall Analytics analyzed historical campaign data to understand if their investment in improving acquisitions performance has paid off or not. In particular, we were interested to find answers to the following questions from the retrospective campaign analysis

- How has the campaigns performed Year over Year with respect to the average cost of acquiring each customer?
- Has the response rate of campaigns improved Month over Month in any particular year?
- Is there any trend in changes in Cost of Acquisition along with the change in response rate for any particular year?
- What is the relative yearly contribution of respondents by DM channel?

OBJECTIVE C

The objective for this case was to analyze the campaigns and identify the right mix of Product and APR combinations for every prospect age group

Company Overview

Our retail bank client conducts an acquisition strategy review every 2-3 years. As part of the review, they roll out different random targeting campaigns to test the validity of targeting decisions made by hunch or recommended by Analysts in prior reviews

One such campaign was launched to identify the product and APR (rate of interest) combinations preferred by different age groups. The campaign data contains information on each prospect randomly selected along with the APR and product offered details. It also has a response indicator that takes value 1/0 based on Acceptance/Rejection of the offer

Rockwall Analytics was tasked to make recommendations on the Product and APR mix for the 3 broader age groups: 55+, 35-55 and 18-35