

• Spend Tracker Case

Ravi Dayabhai

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This is a high-level overview! Details regarding assumptions, definitions, and methods of analysis are abstracted to notebook linked in the appendix.

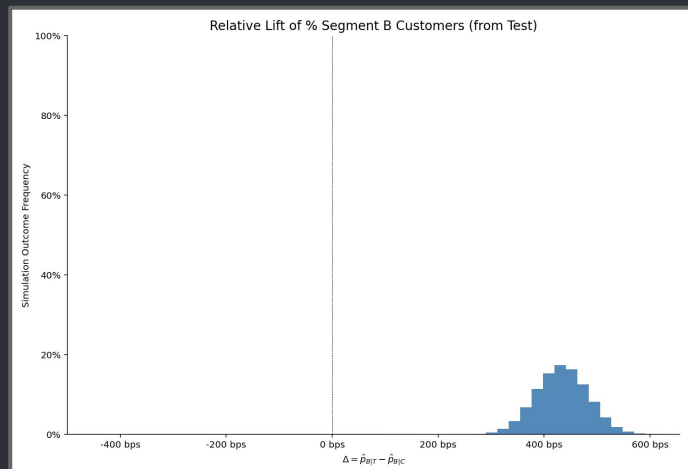
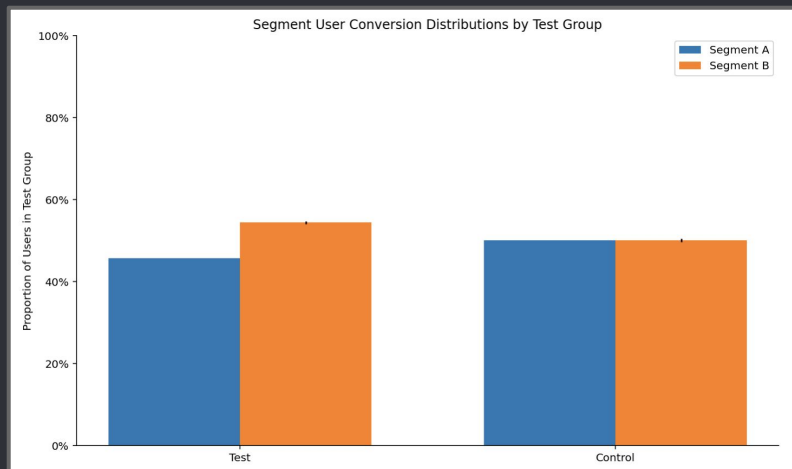
- Summary & Recommendation

- Chime is considering launching a **spend tracker feature**.
- Experimental data supports improvement hypotheses.
 - Spend tracker drove lower CAC, higher average monthly spend, and better customer retention in general.
 - *However*, incorporating spend tracker costs erases net benefit overall, hurting LTV-to-CAC and ROI measures.
 - If the \$5 P.M.P.M spend tracker cost can be reduced to even c. \$4, LTV-to-CAC and ROI becomes compelling.

The spend tracker *at current cost* is too expensive to justify launching.

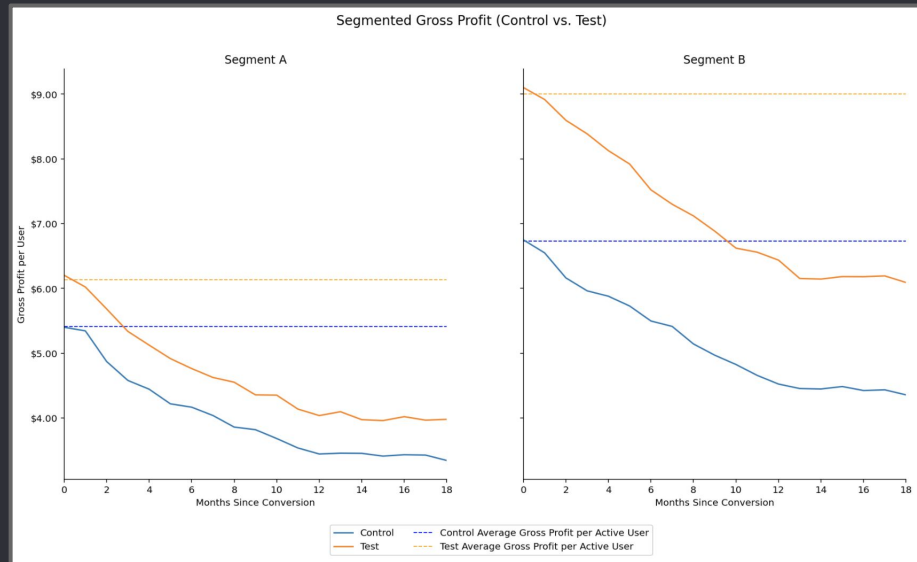
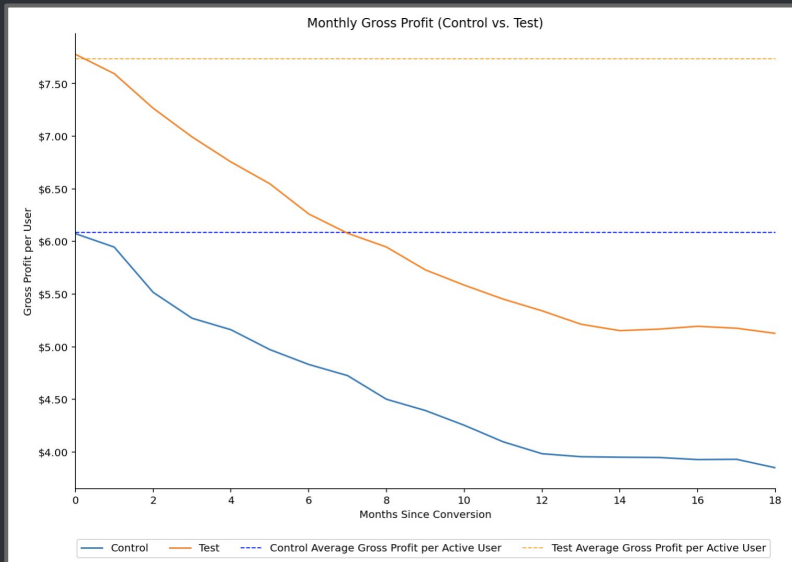
● Acquisition Analysis

- c. 150 bps conversion rate lift to c. 11.4% is statistically and practically significant.
- Feature yields relatively higher proportion (c. +430 bps) of segment B users.
- Significant (c. 20%) reduction in CAC helps buoy LTV-to-CAC (see *Profitability Analysis*).



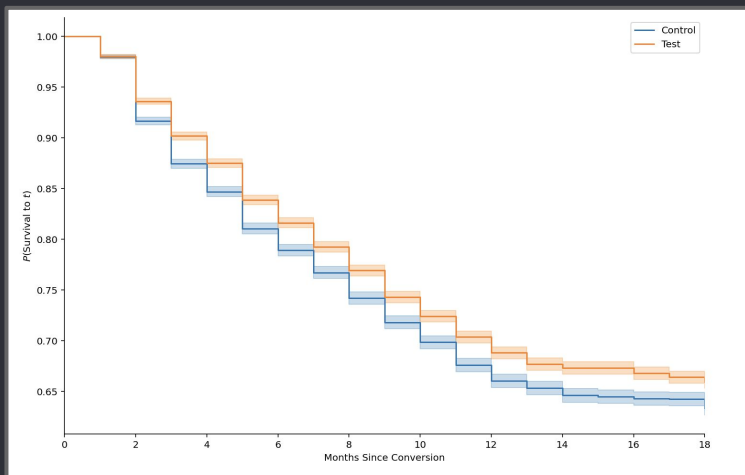
● Profitability Analysis: Spending

- Spend tracker lifts active user monthly spending overall (c. 27% to \$7.70) and when conditioning on segment A and B (c. 13% to \$6.10, c. 66% to \$9.00), respectively.



● Profitability Analysis: Retention

- Over the observed period, the spend tracker improves 12-month retention rate retention overall (c. +275 bps to 69%) and when conditioning on segment A and B (c. +200 bps to c. 66%, +320 bps to 71%), respectively.
- Parametric estimate of *retention over entire lifetime* suggests higher Segment B customer *terminal* churn rate.



VS.

| Test Group | Segment | Estimated Median Lifetime |
|------------|-----------|---------------------------|
| Control | Segment A | 43.055075585739765 |
| Test | Segment A | 58.272084950869974 |
| Control | Segment B | 55.04967228688924 |
| Test | Segment B | 48.65094621122932 |
| Control | None | 48.859784422369366 |
| Test | None | 53.568366543233196 |

● Profitability Analysis: Net Effect

- Unconditionally and conditionally, LTV demonstrates that **any** improvement to retention, user spend, or lower CAC is being canceled out by the cost of the spend tracker.
- That being said, **this a very promising feature**; strategically, it might be worth launching and then assiduously focusing on spend tracker cost reduction.

| Test Group | Segment | LTV | CAC | LTV-to-CAC |
|------------|-----------|------------|-----------|------------|
| Control | Segment B | 282.213671 | 50.995508 | 5.534089 |
| Test | Segment B | 240.891875 | 44.359586 | 5.430436 |
| Test | None | 222.261986 | 44.359586 | 5.010461 |
| Control | None | 243.795852 | 50.995508 | 4.780732 |
| Test | Segment A | 191.488547 | 44.359586 | 4.316734 |
| Control | Segment A | 206.851726 | 50.995508 | 4.056273 |

Spend Tracker PMPM
Cost for
LTV Breakeven

Overall: \$3.9000
Segment A: \$4.0
Segment B: \$3.2

ROI @ \$5 PMPM cost

Overall 18-month ROI: -1.03%
Segment A 18-month ROI: -20.74%
Segment B 18-month ROI: 3.92%

ROI @ \$4 PMPM cost

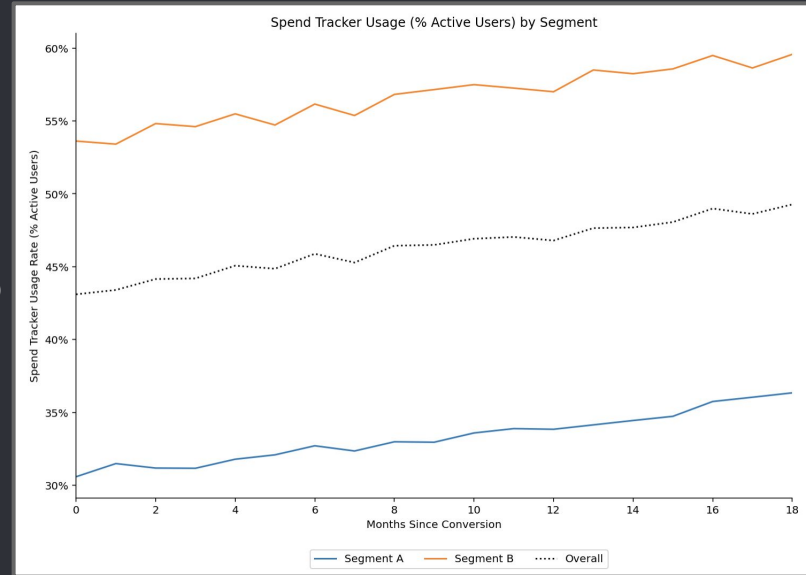
Overall 18-month ROI: 23.71%
Segment A 18-month ROI: -0.92%
Segment B 18-month ROI: 29.90%

ROI @ \$3 PMPM cost

Overall 18-month ROI: 64.95%
Segment A 18-month ROI: 32.10%
Segment B 18-month ROI: 73.20%

● User Value Analysis

- Retained active Segment B customers are more prolific users of the feature.
 - Positive association in observed period retention improvements with feature
- We could make the spend tracker metric-positive by increasing friction to use, but that would be “bait-and-switch”-y.
- **Strategic choice:** launch with current assumptions as a value transfer to user; rationale of acquiring now, monetizing later (i.e., current scope of decision metrics don't cover externalities).





Appendix