Spend Tracker Case Study

Assume Chime ran a test to evaluate whether we should launch a spend tracker feature. To evaluate the launch, Chime will consider the following 3 areas:

- Acquisition Cost
- Profitability
- Value to members

Acquisition:

Chime ran an A/B test to a population of 40M people randomly distributed into two groups of ~20M in each advertising its product without spend tracker (control) vs with spend tracker (test.

Results provided in spreadsheet.

In addition to overall CAC (cost per conversion), Chime wants to see if the spend tracker feature skews respondent distribution. In particular, Chime will analyze the impact on two segments: Segment A and Segment B (higher income segment.)

- Average monthly spend for Segment B is higher than Segment A
- Members in Segment B are also more likely to have additional bank accounts on top of Chime

Profitability:

The spend tracker feature will be free to members and it will cost Chime $5 per month for every member that uses this feature. The spend tracker will generate no revenue.

Chime makes money every time a members makes a purchase using their Chime debit card. A small portion of every dollar spent on Chime is revenue to the company. (This is called interchange.) Even though spend tracker costs money, we believe adding the feature could help profitability since the more cumulative spend on Chime per member, the more revenue to Chime. The tracker could increase profitability through higher retention and/or higher average monthly spend.
To evaluate profitability, we look at LTV, CAC to LTV Ratio, ROI.

See spreadsheet for detailed cost & revenue assumptions as well as monthly performance data for each group.

<u>Value to members:</u>

To evaluate value to members, we look at what percentage of our members test the feature and continue to use it through time.

<u>Deliverable: Presentation</u>

Using the data and assumptions provided, make a recommendation to management on whether Chime should launch this feature. Please put together a short presentation (3-5 slides) making your recommendation to the leadership team including analysis on why this makes sense. In your analysis, remember to evaluate the impact to the following

- Acquisition costs
- Profitability and its components (retention & spend)
- Member value

Also, please take into consideration any differences in behavior and impact for Segment A and Segment B.