During the past decade, the retail banking industry has faced a loss of confidence in the industry having an overall negative impact on a bank’s margins and profitability. Also, customers differ in their needs and value they generate. Therefore, loyalty, age, types of products, activity level and revenue generated are important factors to define a valuable customer.

**Tenure**

The number of months a customer is with the bank

**Age**

Middle-aged customers tend to be more profitable than younger ones because they tend to maintain higher balances and are more likely to have mortgages. Although Oxford English Dictionary describes middle age as between 45-65, for this assignment’s purpose an assumption is made between the ages of 35 -55.

**Type and Intensity of Product Ownership**

The type of product and time period between two consecutive transactions is a good predictor of future behaviour. High current account and saving accounts balance is important.

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| ActBal\_CA |
| ActBal\_SA |

Also, actual overdrafts balance and actual credit cards balance is good because of short term payments.

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| ActBal\_OVD |
| ActBal\_CC |

Actual customer loans balance is excluded because it could be mortgages or products with long term payment options

**Activity Level**

Inactive customers carry a higher risk of being unprofitable, because they no longer generate any revenue, while the client relationship may still lead to costs, for example due to direct marketing campaigns. It can therefore be assumed that customer value and profitability are heavily influenced by the activity level of the customer.

Credit turnover is total of all credit transaction one has in their bank account in a month while debit turnover is the all debit transaction in their bank account. This helps to assess the stickiness or liquidity of the account and facilitates in credit worthiness and credit lending facility.

Hence either VolumeCred or VolumeDeb is important

**Revenue Generated**

Revenue generated from all three sources of revenue is important.

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| Revenue\_MF |
| Revenue\_CC |
| Revenue\_CL |