

Customer Metrics

In retail banking, customer performance was traditionally measured by the number of products held or account balance. Nowadays, the trend is to measure customer experience and satisfaction, but is this still good enough?

Knowing **what, when and how to measure**, is an evolving and often challenging task. Whilst customer satisfaction and experience are important they do not easily correlate to key business metrics such as customer profitability. A satisfied customer is not always a profitable customer and vice versa.

This month's Insight focuses on two key customer metrics - **Engagement Score** and **Customer Value**. Drawing upon customer experience and profitability, these metrics work to provide clear opportunities to influence results. We examine and compare how these customer metrics reflect across customer segments and mortgages.



* **Engagement Score** - refers to a measure of relationship strength; based on 26 distinct characteristics of which 13 are value generating and 13 are relationship building.

^ **Value** - refers to the annual revenue contribution a customer generates. It is based on net interest income and customer originating non-interest income.

*Measuring
customer
engagement &
organisational
performance in
retail banking*

Customer Metrics

in Mutual Banks and Credit Unions

QUICK
STATS!



AVERAGE CUSTOMER VALUE IS \$654

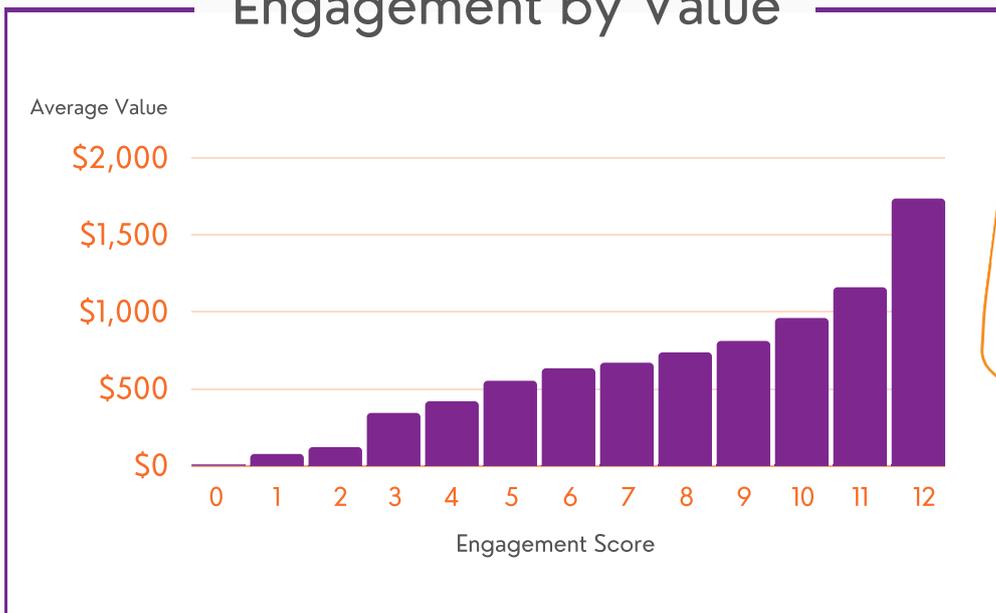
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AVERAGE ENGAGEMENT SCORE IS 5.8

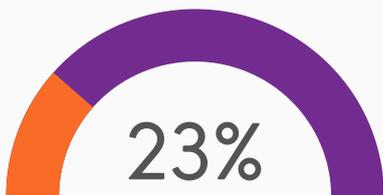
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Engagement by Value



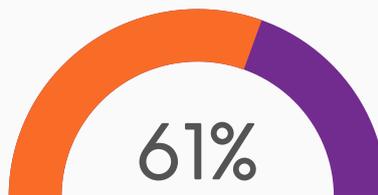
Did you know?

Spark's Customer Engagement metric has a **95%** correlation with Customer Value.



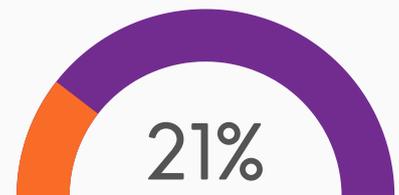
INCREASED ENGAGEMENT

Over the past 12 months, 23% of customers had an increase in their respective engagement score



INCREASED VALUE

61% of customers that had an increase in engagement also increased their Value contribution



VALUE INCREASE PER INCREMENT

Customer value increases at an average rate of 21% with each increment in engagement score

GENERAL OBSERVATIONS

New & lapsing customers

New customers (tenure less than 365days) with an Engagement score of **3 or more** generated **10x the Value** of customers in the same cohort that scored 2 or less

Approximately **70%** of membership closures originated from customers that had an Engagement score of 3 or less

Existing customers

28% of customers have an Engagement score of 7 or more and do not hold a value-generating product.

Mortgages: Engagement & Value

The average annual Value generated from a customer with a mortgage exceeds **\$3,000**

65% of mortgage holders have an Engagement score of 7 or higher

60% of mortgage closures in the previous 12 months originated from customers with an Engagement score of 6 or less

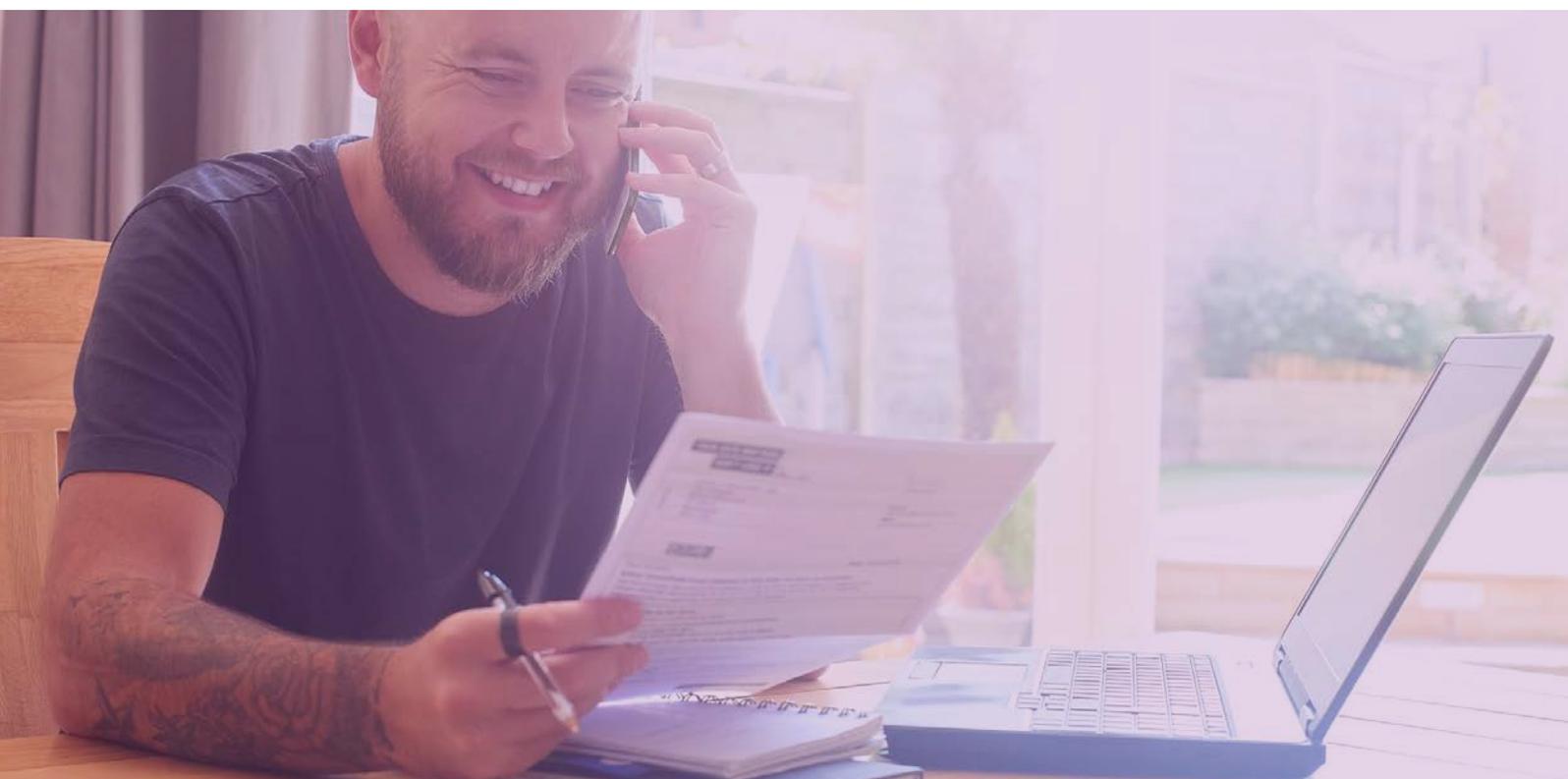
Could these customers be prime lending targets?



What is customer engagement?

Simply put, customer engagement is the relationship between your brand and your clients. It's about regular interactions, communication, and establishing an emotional connection that encourages long-term loyalty

-Pixlee, 2021



PRACTICAL EXAMPLES TO ESTABLISH CUSTOMER METRIC SYNERGY AND TRANSPARENCY

Measuring and monitoring how your customers are engaging with your organisation is pivotal to your success. Spark's customer metrics provide an effective means with which to track, monitor and measure how your customers are engaging with your organisation.

Stakeholder collaboration:

Speak to your Spark account manager about creating, publishing and calibrating customer metrics in your Platform service. We can also provide a customer metrics presentation to stakeholders at your organisation.

Modelling & deep-dive analytics:

Customer Engagement is an effective customer modelling tool. For example, Spark could develop a detailed profile of your customers that hold a value-generating product (i.e loan), which can then be used to identify other customers with similar characteristics but no value-generating product. Deep dive analytics can also be provided on demand.

Converge and compliment:

Consider converging your existing customer metrics into your Platform service. These could include customer satisfaction or experience responses and just about anything else you consider important to track.

Make it transparent:

Make better strategic decisions based on a clear view of what is going on and how you're performing.

Our dashboards provide visibility of Customer Engagement activity and organisation performance, supported with industry comparison and annual report cards that are well received by the executive level.

Engagement Score and Customer Value are business focused metrics. They are an effective way to measure performance of any kind - from an executive KPI, branch KPI, product or customer segment, and everything in between.

Our analysis is data driven. We acknowledge there are external factors that influence customer engagement. Data however, can often disclose a behaviour or opportunity to act.