Meet the ROI Challenge Head On

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Managing Partner

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Mary Beth Sullivan

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28 years in Banking & Consulting

Strategy, Marketing, Distribution, Risk Management

CPG partners with American Banker to assess Top Performing Banks
Agenda

- Why a focus on ROI is so important
- What is ROI and why is it so hard?
- Campaigns, Social Media, and Brand ROI
- 5 Big Take-Aways
- Questions
To what extent do the following issues challenge your organization’s marketing department?

CPG/Financial Brand Survey 2016
I.T. Infrastructure

Data analytics

Silos

Rates/fees/products

Risk adverse

Measuring performance and/or providing results (ROI)

Regulation and compliance

Takes too long to make decisions

Lack of C-level buy-in

Brand

Budget constraints

Marketing automation and personalization

Frontline/employee support for marketing/branding/sales initiatives

Too many initiatives

Digital marketing strategy
Measuring performance and/or proving results (ROI)
Financial execs who feel that measuring marketing ROI is a challenge

MARKETING EXECS
- Major challenge: 46%
- Minor challenge: 50%
- Not a challenge: 4%

NON-MARKETING EXECS
- Major challenge: 60%
- Minor challenge: 30%
- Not a challenge: 10%

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Financial execs who say their organization struggles to quantify marketing’s impact

47% MARKETING EXECS

66% NON-MARKETING EXECS
Financial execs who say their organization could do better establishing marketing ROI

69% MARKETING EXECS

59% NON-MARKETING EXECS
Why is ROI such a challenge?
What is Marketing ROI?

\[
ROI = \frac{\text{return} - \text{investment}}{\text{investment}}
\]
Take on Three Topics

- Campaigns
- Social Media
- Brand
Buyer’s Journey

<table>
<thead>
<tr>
<th></th>
<th>Online/ Desktop or Tablet</th>
<th>Ask Others</th>
<th>Branch</th>
<th>Call Center</th>
<th>Mobile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research</td>
<td></td>
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<td></td>
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<tr>
<td>Select product</td>
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<tr>
<td>Apply</td>
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<td></td>
</tr>
<tr>
<td>Purchase</td>
<td></td>
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<td></td>
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<tr>
<td>Activate</td>
<td></td>
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</tbody>
</table>
Assessing Marketing Channel Results
Media Mix Modeling: understanding the impact of multiple marketing tactics...
# Illustrative Output of Modeling

<table>
<thead>
<tr>
<th>Marketing Medium</th>
<th>Actual $</th>
<th>Model R2</th>
<th>Reco</th>
<th>Reco $</th>
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</thead>
<tbody>
<tr>
<td>Digital Marketing</td>
<td>1,416,000</td>
<td>0.72</td>
<td></td>
<td>1,679,000</td>
</tr>
<tr>
<td>Terrestrial Advertising</td>
<td>2,130,000</td>
<td>0.34</td>
<td></td>
<td>1,843,000</td>
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<tr>
<td>Direct Mail</td>
<td>1,967,000</td>
<td>0.81</td>
<td></td>
<td>2,532,000</td>
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</table>
Be Sure To Dig Deeper!

<table>
<thead>
<tr>
<th>Marketing Medium</th>
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<th>R2</th>
<th>Reco</th>
<th>Reco $</th>
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<td>1,416,000</td>
<td>0.72</td>
<td></td>
<td>1,679,000</td>
</tr>
<tr>
<td>Search Engine Marketing</td>
<td>144,000</td>
<td>0.51</td>
<td></td>
<td>144,000</td>
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<tr>
<td>Digital Display</td>
<td>790,000</td>
<td>0.24</td>
<td></td>
<td>345,000</td>
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<tr>
<td>Online Video</td>
<td>270,000</td>
<td>0.86</td>
<td></td>
<td>1,134,000</td>
</tr>
<tr>
<td>Social Advertising</td>
<td>292,000</td>
<td>0.06</td>
<td></td>
<td>56,000</td>
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Test and Learn Process

1. Learn

2. Implement

3. Test

- Implement recommended media and mail plan
- Measure changes to sales and revenue
- Calculate return, re-run Optimization Model, and adjust media mix
- Implement adjusted plan
Example: Home Equity Direct Marketing Campaign

- Goal: increase return on marketing spend
- Targeting and Media mix strategy
- ROI estimation:
  - Response rate modeling
  - Collect and validate data
    - Bank and market data on HE/HELOC balances and utilization rates
    - Costs per direct mail; costs per target of online/digital marketing
    - NII, provision and origination costs (modeled) per loan
  - Target ROI calculated
- Launch and evaluate results versus ROI model
### Example: Home Equity Direct Marketing Campaign

#### Summary of Marketing Contribution

($ in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
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<tbody>
<tr>
<td>New Home Equity Outstanding Balances</td>
<td>$10,000</td>
<td>$21,555</td>
</tr>
<tr>
<td>Profit from New/Activated Outstanding Loans</td>
<td>$750</td>
<td>$1,475</td>
</tr>
<tr>
<td>Marketing Investment</td>
<td>$300</td>
<td>$300</td>
</tr>
<tr>
<td><strong>Net Profit</strong></td>
<td>$450</td>
<td>$1,175</td>
</tr>
<tr>
<td><strong>Return on Marketing Investment</strong></td>
<td>150.0%</td>
<td>392.0%</td>
</tr>
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Analytics Process Always The Same

The data analytics process begins with a business objective

- **Model creation (4)**
  - Can be in-house developed or delivered as part of an analytics package.
  - Become useful only when actionable results are manifest.

- **Data management (3)**
  - Prepare data - making it ready for use by the analytic model(s).

- **Data acquisition (2)**
  - Gather data - often from multiple systems and LOBs.

- **Monitor results (7)**
  - Ongoing testing.
  - Looking for evidence of a need to refresh the model, or replace with a new one.
  - Can spawn new ideas to test.

- **Model validation (5)**
  - Independence testing.
  - Model performance on sample data.
  - Comparing model predictions to actual results.

- **Model deployment (6)**
  - Running on production data at useful intervals or when called by business applications.
  - Exporting in use-able formats.

**Business objective (1)**
An independent study by Altimeter revealed that many organizations avoid focusing on social media ROI because of:

- 56 percent: an inability to tie social media to business outcomes
- 39 percent: a lack of analytics, expertise and/or resources
- 38 percent: poor tools
- 35 percent: inconsistent analytical approaches
- 30 percent: unreliable data
Many Tools for Social Media Analytics

**Google Analytics**: Track website traffic, on-site conversions, and sign-ups originating from social media campaigns.

**Salesforce**: Add Salesforce tracking codes to the links you share on social networks. When paired with marketing automation software like Marketo, you’ll be able to track sales leads back to specific campaigns or social messages.

**Hootsuite Analytics**: Hootsuite offers a variety of analytics tools to help you track your reach, conversions and more.

- **Hootsuite Insights** will help you identify conversations within your industry, your reach, brand sentiment, and much more, with 100 million data sources, real-time results, and an intuitive interface.

- **Custom URL parameters** allows you to track which social networks and social messaging did or did not drive traffic to your site, blog, or landing page.

- **Hootsuite Analytics Reports** offer quick snapshots of your reach through metrics like follower growth, total daily URL click-through, and per-post stats for Facebook, Twitter, and more.
Measuring Social Media ROI

1. Set conversion goals
2. Track against goals
3. Assign monetary value to conversions
4. Measure total benefit by channel
5. Determine total costs
6. Calculate ROI

More info:
www.dashboardjunkie.com/measure-online-roi-six-simple-steps
“We can’t quantify the ROI of our branding initiatives.”

53% Marketing Execs

68% C-Level Execs

Disconnect: Brand

- Becoming more critical as branch visitation decreases, Millennial shift continues, fintech explodes
- Augmenting and partially replacing number of branches as the primary selection criterion for new customers
- Directly correlated to market share growth
- Need a common understanding of what it is, why it’s important, and how you will measure it
- Need commitment that is 3-5 year process
Brand Preference Drives Household Growth

Brand awareness does not automatically lead to consideration and preference.

- 94% Awareness of MEGA BRAND: 28% of those consider the brand, 54% of those prefer the brand.
- 46% Awareness of CHALLENGER BRAND: 85% of those consider the brand, 82% of those prefer the brand.

Brand Preference Drives Household Growth

• No Excuses for Not Running the Numbers
• Team with Finance on ROI Analytics
• All Marketers Need Firm Grounding in Bank Finance and Analytical Skills
• Do Not Be Afraid to Make Assumptions
• You Must Constantly Prove the Value of Investment in Marketing
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Strategy, Delivery, Marketing and Risk Management

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