James Robert Lay:
Andrew asked, "How can we improve the way our marketing measures and reports on customer acquisition using digital channels?" Right now we're pretty much just measuring clicks, but not conversions, not acquisition. That's a great question, Andrew. And one that I look forward to answering for you on today's episode of Banking on Digital Growth.

James Robert Lay:
Greetings and hello. Thank you for tuning into the 112th episode of the Banking on Digital Growth Podcast, where I James Robert Lay, your digital anthropologist, continue to coach and guide you along your digital growth journey as you commit to continue to guide people beyond their financial stress towards a bigger, better, brighter future. Today's episode is part of the inside digital growth series. And I'll be answering a question from Andrew who is a CMO for a financial brand on the west coast. Once again, Andrew asks, "How can we improve the way our marketing measures and reports on customer acquisition using digital channels?" Right now we're pretty much just measuring clicks, but not conversions, not acquisitions. This is a fantastic question, Andrew. And one that I will answer for you today because when you gain clarity into acquisition, or really what we're going to discuss today, more importantly, the cost of acquisition, everything begins to transform for the better for you, for your marketing team, for your financial brand.

James Robert Lay:
And the good news is that we have already educated and empowered financial brands on their digital growth journey, their marketing teams, their sales teams, even the literacy leadership teams around how to measure cost of acquisition, along with what they need to do next, to turn these insights into action, which is what I'm hoping that we'll be able to do for you and others listening today. In fact, the study to identify the average cost of acquisition for financial brands is one that we've been researching and working to quantify for the past three years, as there's not a tremendous amount of available data for banks, and credit teams to benchmark against. Furthermore, the reason the study of identifying the average cost of acquisition for financial brands is so challenging is there are many different variables at play, including different product types, for example, consumer versus commercial, which have different market sizes and demands. Rural versus metro versus suburban, which have different channel costs, online channels versus offline channels, all of which bring products to the marketplace.

James Robert Lay:
Finally, this lack of clarity is further amplified by the fact that at the executive level, for many financial brands, there's a lack of awareness, and an understanding around the modern digital consumer journey. And so, traditionally speaking, when we look back here at the history of acquisition of accounts of loans for banks and credit unions, acquisition historically was just the second step, the second stop on a two part journey. Step one or part one was awareness, which was some type of broadcast marketing, driving acquisition to the physical branch location. And so before we move forward to look forward towards the future of how you can measure costs of acquisition at your financial brand digitally, let's first take a brief walk back through the past for some context here. Before digital, a consumer's journey, as I mentioned before, would have started through some type of brand or product awareness created by a traditional broadcast marketing channel that might be TV.

James Robert Lay:
Maybe it was print, radio, direct mail. Newspaper ad. It doesn't really matter, because from there the second stop on that consumer's journey would have been driven into a physical branch location where they would have applied for the loan, or they would have opened up the account. Now, the challenge

with this legacy broadcast marketing model was that it was almost impossible to measure cost of acquisition, and at best financial marketing teams would attempt to justify spend with their executive teams, maybe their CFOs by hopefully reporting some sort of direct response measurement that was rooted in what we would call first touch attribution. And we're going to come back to that point here in a moment. So, for example, let's say during the month of March, we spent $50,000 on a broadcast marketing campaign, and that included some TV ads, some radio ads, some newspaper ads, maybe we'll drop in some direct mail.

James Robert Lay:
Once again, it doesn't matter what these channels were. We just spent $50,000 on some type of broadcast marketing campaign. And to quantify success, we would have had to report a perceived increase in deposits or loans, whatever the product that the marketing campaign was framed around promoting. And if we wanted to take these numbers further, marketing could then attempt to attribute how they help to acquire, let's just say 150 new accounts, through these traditional marketing campaign efforts. And as a result, when we take 150 new accounts that we acquired, quote-unquote on the $50,000 that we spent, we could say that the average cost of acquisition was around $333 per new account. Now, in reality, there was really no true way for marketing to quantify conversions and do a direct attribution to the traditional marketing campaign, let alone identify what marketing channel drove the greatest results for conversion happening in a physical branch location.

James Robert Lay:
And so as a result, because of this lack of direct attribution, executive teams, and CFOs that were primarily driven by bottom line numbers, this was the reason that marketing gained a not so good rep reputation as either, A, a necessary evil, B, a cost center, or C, really the worst case is marketing was this viewed as kids that played with paint and crayons, and didn't really get any respect in the organization. And unfortunately, one of those three perspectives, either a necessary evil or marketing being viewed as a cost center or worse kids that just play with paint and crayons all day long, that is a belief that for many financial brands and their marketing teams still holds true in today's digital world. So, over time, some smart marketing teams started to attempt to get even better at attribution reporting down to specific channels, utilizing some type of code, some type of code, whether it was on a direct mail, or even, I recall back in the day, financial brand marketing teams were using codes in emails that they would send out.

James Robert Lay:
And the problem with the use of these quote unquote channel codes is they put the burden of acquisition on consumers. As consumers then had to inform my branch staff team member of that code. And if the branch team member forgot to ask the consumer for the code, well, all attribution numbers begin to become skewed. And so, let's flash forward beyond utilizing attribution codes, which was a great attempt to try to bridge the gap, but let's flash forward to the present and begin to look towards the future of where you can go from here, because we have seen vast improvements in the ability to measure cost of acquisition when compared to the days of traditional broadcast marketing. Now, one of the biggest challenges today for financial marketers is not the fact that they lack insight into channel performance data for specific campaigns. Instead, the challenge for the modern financial marketer is the lack of awareness and understanding at the executive level around how consumers shop and buy financial products. No longer is the consumer buying journey linear from point A, broadcast marketing to point B, brand sells.

James Robert Lay:

Instead, there is a very mushy middle of consideration that complicates the attribution model. And this is why training and education is so important for marketing for sales teams even more so, I would say, for leadership teams to gain clarity into the modern digital consumer buying journey and how quickly modern marketing and sell strategies, those best practices have evolved, have transformed even just over the past three to five years. And while it is easier to measure direct attribution through platforms like paid search via Google PPC, as consumers are often in the active search for a solution to their problem in their own consumer buying journey, measuring attribution for other digital channels, including, let's say, it's email, maybe it's display, or remarketing ads, maybe it's social media, maybe it's content like articles, videos, blogs. When you take in all of these different channels, as a whole, measuring direct attribution becomes far more challenging, far more complicated.

James Robert Lay:
In fact, the vast majority of these channels are how financial brands nurture consumers through the consideration stage of the buying journey to bridge the gap between awareness and purchase. And so when we think about the digital consumer journey, we can look at five stages. We can look at awareness, consideration, purchase, adoption, and advocacy, but for the point of this conversation, what we're really focused on are the first three, which are awareness, consideration, and purchase. So, where does this leave financial brand marketers and their teams? Well, there are four options, we'll call them for measurement models to consider when measuring attribution through the marketing that you're doing. First, we have what is known as first touch attribution. Then we have last touch attribution. Third, we have linear attribution, and then fourth, we have last non-direct click attribution. And what I want to do is start off by exploring together all four of these.

James Robert Lay:
And we'll begin with first touch attribution. Now, first touch attribution model simply forces us to focus on the first touch a consumer has with your financial brand. So, for example, if a consumer discovered you during the awareness stage of their buying journey through a paid search ad, let's say Google PPC, this channel, i.e. Google PPC, would get the credit when it comes to conversion for a loan or deposit application. That is in fact, if you're able to track attribution through the buying journey via your third party loan applications or your third party deposit applications. And that's a conversation that I've provided some solutions around, going back to episode, number 16.

James Robert Lay:
The challenge here is what happens if they start that application online, they abandoned it because of friction. And then they come into the branch or they call in to complete the application or they move to another device. What channel gets the win at that point? Is it the branch? Is it the call center? Is it the PPC ad? And so I know, and I've heard marketing teams share this with me time and time again, it'll be interesting to see what happens in this post COVID world, particularly as the world has now opened back up. I have been making predictions that we'll probably see some trends back to pre COVID behaviors on all fronts and all different areas of life. So it'll be interesting to see what happens here when it comes to the most important stage of the consumer buying journey, which is, in this case, as we're talking today acquisition.

James Robert Lay:
But I hear from marketing teams, the frustration that they're running all of these digital ad campaigns, they're running social campaigns, but then they're not able to track that attribution if someone transitions to another channel, whether that be the call center, whether that be a physical branch location. So what these questions and the concerns, and almost the conflict in mind, I want to move on

to the second attribution model, which is last touch attribution. And the last touch attribution model provides conversion credit to the last platform or the last channel that an account holder or prospective account holder were converted from. So, for example, let's say a consumer engages and clicks on a Google PPC ad, but they don't convert on the first visit. Now it's important to note this because from our studies, we have found that 98% of consumers never, ever conferred on the first visit to a financial brands website.

James Robert Lay:
So what happens? Well, this is where we can begin to remark it. These visitors on social media, maybe it's with another ad promoting some type of helpful, or educational resource or offered during the consideration stage of their buying journey. And so let's assume that this consumer engages with this educational content. Maybe it's a lot of different pieces of content. Maybe it's an ebook, some blog articles, videos, podcasts, marketing, automation, emails, maybe they the webinar. And it's from that webinar, they'll then receive some followup automated email series that share even more helpful content that over time, 30, 60, 90, maybe 180 plus days, over time, all of this content and the consideration stage of their buying journey leads to a conversion on a digital loan application, or a digital deposit application. In this last touch attribution model, the webinar, and maybe even more specific the automated webinar email nurture series, that is the channel that gets the conversion win.

James Robert Lay:
But how many other touch points assisted with the conversion along the way? And if we go back in that narrative, well, we had social media remarketing from that first initial visit to all of the additional content that was consumed by this new account holder. So, with this question in mind, who gets the win, or how do we spread this win over multiple channels? Let's continue to explore the next option for attribution measurement, which is linear attribution. And that's because the linear attribution model helps financial marketers start to really uncover the truth about different digital ad channels, and the role that each one of them plays in a consumer buying journey all the way through to the conversion process. Once again, you cannot simply give credit to one digital marketing channel based on first touch or last touch attribution, because it does not, let me repeat, first touch, and last touch attribution alone does not provide any insight, or clarity into the overall digital consumer buying journey.

James Robert Lay:
Put another way all you get is the introduction or the conclusion to a much bigger story when you're measuring first touch or last touch attribution alone. And so this is where the linear attribution model makes the most sense. When you think about how conversion fits into a larger buying narrative, a larger buying journey, as every touch point on that journey impacts a consumer's path towards conversion. I hear financial execs and leadership teams complain all the time that social media doesn't drive sells, and it doesn't bring direct conversions. My pushback on this, this is short-sighted thinking that's rooted in legacy direct marketing and sales models, because in reality, there's a very slim chance that social media will ever drive any direct conversion, like say Google PPC does, or I'm not going to say Google PPC does like Google PPC has the potential to, because that's not always the case.

James Robert Lay:
When you think about Google PPC, it's a direct buying engine, connecting people to possible solutions for their pain points. And so it's a different type of buyer on a different type of journey, but that doesn't always translate to a direct conversion then because someone, even when searching Google is most likely in the consideration stage of their buying journey. Now let's come back to social media, because when we think about social media and all of the content outside of social media, we have blogs, we have videos, we have social media posts. Each one of these is just one more touch point on a much larger and

more complex buying journey. And that's where we can come back to those three stages of the buying journey. We have awareness, we have consideration and purchase. So all of these different touch points, all of these different activities fall into the consideration stage of the buying journey, and truth be told if a consumer did not like your social content or they did not find your blogs, articles, your videos, your podcasts, helpful, I'm willing to bet that they probably would not convert in the first place.

James Robert Lay:
And it is here that I implore, I implore financial brand executives and their leadership teams to not fall into the last touch attribution trap, because last touch attribution does not account for all of the different digital touch points, and content that helped to influence. And that's the key word here. The content that help to influence a consumer's buying decision. And this is where linear attribution provides clarity into all the different touch points that consumer has engaged with on their path towards conversion. However, linear attribution still has the potential to fall short, because it does not include direct attribution when someone types in your website's URL directly into the web browsers address bar. And that now brings us to the fourth option for attribution measurement, which is last non direct click attribution.

James Robert Lay:
And so if you're still with me, I'm going to walk you through this because last non-direct click attribution model helps to solve the challenges that are attributed to linear or last touch attribution, because it ignores all direct traffic. In fact, last non-direct click is a great model to filter out direct conversions that could be dominating all of your web conversion reports because this essentially highlights the last touch that isn't direct. The problem with direct conversions is you don't gain much visibility into a consumer's digital behavior. Direct conversion only informs you of brand aware users who are converting as they type in your URL directly into a web browser to apply for a loan or to open an account. And so the big question here is then how do these consumers become brand aware? What steps do they take along their own digital buying journey? What content or other ads help to play a role in influencing their buying decision in the process?

James Robert Lay:
And this is exactly what last non-direct click attribution helps you discover. So knowing the complexities of different attribution models, I recommend that we first break down what the ideal cost of acquisition for your financial brand could be through a very simple formulaic approach for each product line that you have, each of the key product lines that you have instead of trying to do this measuring cost of acquisition here as a single point of view for all of your product lines combined. If you try to do this for all of your product lines combined, it won't provide any clarity because when you think about setting benchmarks for future success to measure against this is where we can start breaking down individual buying journeys, say for checking, auto, credit card, personal loans, mortgages, commercial, small business, et cetera. And so this is also going to help you set a benchmark when looking and knowing what the LTV is, the lifetime value for each one of these product lines, because we need this lifetime value to measure against cost of acquisition.

James Robert Lay:
And that's because ideal cost of acquisition is going to be influenced by the lifetime value for various product types, consumer versus commercial, which might have different market sizes and demands rural versus Metro versus suburban, which have different channel costs offline versus online. All of which once again, bring these products to bear in the marketplace and a good way to benchmark your cost of acquisition is by comparing it to lifetime value of an account holder, which can be viewed in two different ratio models. And so the first one here is comparing a lifetime value to cost of acquisition three

minimum, a minimum of a three to one ratio. For example, let's say the lifetime value for a particular account type or alone is $900. And in this three to one ratio, the ideal cost of acquisition for a product would be $300. The second ratio model to consider is then comparing lifetime value to cost of acquisition through a four to one ratio.

James Robert Lay:
And so in this example, let's say that the lifetime value once again, is for a particular product or an account is $900. Well, now the ideal cost of acquisition for this product would be $225. And so these two ratios, a three to one, a four to one, it might even be a five to one ratio. It all comes down to looking and identifying first and foremost, what is the lifetime value for each one of your key product lines? And then utilizing that lifetime value to begin to measure the ideal cost of acquisition for those product lines, and then come back and look at well, we have four different ways that we can then measure attribution, first way being first touch attribution, second being last touch, third being linear attribution, and then fourth being last non-direct click attribution. As we wrap up here, I want to come back to Andrew's question, which was "How can we improve the way our marketing measures and reports on customer acquisition using digital channels?" Right now, we're pretty much just measuring clicks, not conversions.

James Robert Lay:
And I want to thank Andrew again for this question, because when you gain clarity into the lifetime value for each one of your key product lines, this is going to help you provide a foundational cost of acquisition that is unique for your financial brand, so that you can measure and benchmark against going forward. We've done a tremendous amount of research on benchmarking lifetime value for key product lines, along with the cost of acquisitions through primary and secondary research. But I also want to mention that I've written prolifically around this subject in chapter 12 of Banking on Digital Growth, chapter 12, being dedicated to helping financial brands prove marketing's value once and for all, because it really does break my heart when I hear financial brand marketing teams and it happened. It happens at least once a month. They share with me, "Yeah, we're not really respected around here. People think that we're just a necessary evil or we're that we're a cost center."

James Robert Lay:
The one that pains me the most is when they feel like they are just kids that play with paint and crayons. And I get it. I understand where that perception comes from, but that is a perception that is rooted in the past. That is a perception that is rooted in legacy marketing and really legacy marketing and sales systems. But the good news is that it doesn't have to be that way. In addition to this podcast, I also recommend listening to episode number 16, which is no more vanity metrics. Here's how to track conversions. Because if all you do is listen to episode number 16 and episode number 112 today, and apply the insights that you learn, I guarantee that you will maximize your financial brand's digital growth potential, and the months and years to come.

James Robert Lay:
And so, as we wrap up today's episode, that is part of the inside digital growth series. If you have a question like Andrew, I want to hear from you because I do want to help you maximize your digital growth potential. So text me your question to 415-579-3004, and I will answer it for you on an upcoming podcast, or you might also have the opportunity to join me live for Clarity Calls. Clarity Calls is a new episode that we're launching where you and I will sit down and discuss your biggest digital marketing sells, or leadership question. And then together, you'll walk away with some clarity so that you can continue to move forward, and make progress along your digital growth journey with courage and confidence. The thing that I want you to remember is there are no bad questions. There's only one bad

question. And the only bad question that there is, is the question that goes unasked. As always, and until next time be well, do good, and make your bed.