

James Robert Lay:

Carlo asked do financial brands measure the cost of acquisition per account or per loan funded? Not cost of acquisition per click, not cost of acquisition per started or completed app, but cost of acquisition per funded loan. This is a fantastic question, Carlo, and one that'll look forward to talking through together with you on today's episode of Banking on Digital Growth.

James Robert Lay:

Greetings and hello, I am James Robert Lay and welcome to the 141st episode of the Banking on Digital Growth podcast. Today's episode is part of the Clarity Call series, and I'm excited to welcome Carlo Cardilli to the show. Carlo is the CEO of Alpha Rank on a mission to help bank and credit union executives make decisions with confidence on products, marketing, and growth. Welcome to the show, Carlo. It is so good to have you on today.

Carlo Cardilli:

Man, I'm thrilled to be here. Thank you for having me.

James Robert Lay:

Before we get into your question, and it's a really good one, I always want to start off on a positive note. What are you excited about right now personally, professionally? It is always your pick.

Carlo Cardilli:

Professionally, these banks and credits we work with have pretty much an open field. There's so much demand for their products. Loan demand is exploding so this is a tie in to really sort of crank up the numbers.

James Robert Lay:

It really is, and that brings us to your question right here, which was, and you frame this here, do financial brands measure the cost of acquisition per account or per loan funded? And I want to provide some clarity because, and really double down on this. You even said not measuring acquisition on a per click basis, not measuring acquisition on an application completed or started, but measuring acquisition on a funded account, funded loan basis. And I greatly appreciate both the question and the additional clarity perspective because we're not seeing that's the case on our side. And we'll get into that here in a moment, but I'm curious, why ask this question? It's an important one. Let's get into the why of your question for some perspective. Why is this important to ask?

Carlo Cardilli:

Well, first of all, it is the true metric by which you want to measure growth at a financial institution.

James Robert Lay:

Absolutely.

Carlo Cardilli:

So if we think about how does a financial institution work, they take in deposits, they lend out these deposits on a longer duration, they earn a difference in interest, which is net income, but that is driven by the volume of loans that you're making. If you're not making any loans, you're not earning any income and you're not making any money. You're not returning value to the shareholders, if you're a bank. You're not returning value to the members, if you're a credit union. So those balances are the driver of the business.

James Robert Lay:

Exactly, I mean, this is like bottom line all the way down. It is essentially kind of a do or die, and I think digitally that's where there's maybe some false confidence that comes into play because at this point, our focus is really around the qualitative side, I know the work that you're doing is on the quantitative side. So we're working with real human beings, guiding them through secret shopping studies. Let's say we take them from an ad or an email or a Google search to the website, specific product, and then following them through the process and really asking how does it feel? What works well? Where does it hurt? What could be even better?

James Robert Lay:

But then you're taking this even down to a deeper level and it's not looking at a click on a CTA or click on an application, but it really comes down to the funded side, funded deposits, funded loans. And that's where we see a couple of problems. There's number one, if you're only measuring more of higher up in the funnel, one of the problems is around no instant approval. We got such an abandonment there because what is it? Less than 50% are actually funding accounts instantly, so that's creating friction and that's where things go and die on the vine.

James Robert Lay:

And then number two, then we got to get the consumer to get money into ... If it's a deposit account, get money into that account. That creates more friction and a possibility to fall off and not fund. And same thing, we got to get them to use the loan on the flip side. So I want to flip this back over to you because we're seeing some problems here, and we've talked with consumers about why there are problems in this through the testing that we're doing and some of the studies. But I want to flip this back over to you. You measure down to a very granular level, specific product lines, so what are some of the challenges that you're seeing on your end here when it comes to measuring acquisition, funded acquisition, cost of acquisition, down to the funded account? What are some of those challenges there?

Carlo Cardilli:

Well, from our perspective, I mean, we've built this technology to solve that problem, so with the right feed from the website, from the account opening, or loan origination system, and the data from the system of record, we can put it all together and give the institution the complete x-ray. So hey, you've originated 500 funded loans. Congratulations. Let's say it's vehicle loans, that's maybe out of 800 completed applications and out of all those people that came into the funnel. So we can put that together. If I were to wave my magic wand, we would have more origination systems that would be open to running a third party, essentially tracking system.

James Robert Lay:

Right.

Carlo Cardilli:

And some of them are closed. You could speculate about why they're closed, maybe ...

James Robert Lay:

Oh yes.

Carlo Cardilli:

Maybe don't feel very comfortable about the stability of their technology, maybe they don't like the fact that there's a third party auditing what's happening inside their system, or maybe they have some other strategic reason, but there are a few that are closed. And what I would tell everyone, whether it's my

family, whether it's people that work at Alpha Rank, or clients is look, the person running the race cannot be the one holding the stop watch. You need somebody else holding the stop watch. We're the stop watch holders and the measures of record.

James Robert Lay:

So I'll take and add on that thought. I'm a big believer in transparency, telling the truth, because that's one of the three rules that we have when it comes to maximizing digital growth. All growth begins by telling the truth about where you've been, where you're at, where you can grow next, getting the training education to provide a path forward, and then taking time to literally just think about those next steps.

James Robert Lay:

And I want to dive deeper into some of the challenges that we're seeing around here, particularly in working with financial brands, banks, and credit unions. They're doing some of this quantitatively, if you will, using Google analytics and some measure clicks, some measure starts, some measure completed apps, but the gap always comes down to funded. It comes down to what are we actually getting? And what's the cost of acquisition, not per start or per click completed, but per funded loan.

James Robert Lay:

Some are starting to bridge that gap with like marketing automation, and they're able to run some regression with that. But even then, 60% to 80% of financial brands, don't have marketing automation. There's an easier, quicker way, I would say, to do this. And I want to come back to this point here with what you're doing at Alpha Rank, because you're showing value, sometimes 25% growth in 30 days, upwards of 31% growth in 90 days, growth being fully funded accounts, simply by tracking and measuring what they're already doing. Not adding new complexity, but literally saying, "Hey, you're doing this right now, ceteris paribus, all things being equal. Let's figure out what's working."

Carlo Cardilli:

Right.

James Robert Lay:

Let's do more of that over here. And let's stop doing what's not working over here down to the bottom line.

Carlo Cardilli:

Right.

James Robert Lay:

So how are you doing this?

Carlo Cardilli:

Well, it's through data. So our mantra internally is we let the data speak. So the first thing we do is are there any hand breaks that you have inadvertently left on? So what is your abandonment at every step, and is it within sort of reasonable benchmarks? So you might have 45% abandonment at a page where you're asking your prospect to select the product, and 45% abandonment at that page, I'll tell you right now, that is two standard deviations away from the median, so you got a problem there. And then you can examine the flow of the data and have that tell you exactly why people are giving up.

Carlo Cardilli:

So I'll give you a real example, I'll make it very real. A bank we're working with, we have this abandonment problem that we've identified on their product page. What is going on? What is actually going on is they have three check boxes, four disclosures, so you have to accept their privacy policies, their sort of general statement on terms and conditions, and then the specific disclosures around the product that you're about to get. So three check boxes. Seems very innocuous, right? How could three check boxes possibly go wrong, James?

James Robert Lay:

Yep.

Carlo Cardilli:

All right. Well, this is how it goes wrong. When you click on the check boxes, nothing happens. They remain unchecked. The only way you can get those check boxes to check themselves is by clicking on a hyperlink in this paragraph. It's not the whole paragraph, it's just a specific point of the paragraph. You're going to click on that hyperlink.

James Robert Lay:

Reading the disclosure, I would assume.

Carlo Cardilli:

Yes. And what happens when you click on that hyperlink? Well, on a wide screen device, like a Mac, which is probably how this thing was designed and tested, on a wide screen device it just fires up a new tab in your browser and opens up this document. You look at it, you close the tab, and when you go back to that product page.

James Robert Lay:

There it is.

Carlo Cardilli:

That box is not magically checked in. Okay, so on a wide screen device, annoying, because it's got another tab that fires up. If you have a popup block or good luck, that tab will never fire so you'll never be able to complete the check box. On a mobile device though, and that's where two thirds of the action is, all sorts of strange stuff happens on a mobile device.

James Robert Lay:

Yes.

Carlo Cardilli:

So for example, on an iPhone, you'll just get a warning, do you want to download this file? So I don't know, warning, I'm trying to get a loan here, this sounds bad. A lot of people would just say, "Forget it. I'm done." You might open up that file in a PDF viewer. Fantastic. Now you got to go back to the browser to go complete your own application. Now you got to do this two more times.

James Robert Lay:

Right.

Carlo Cardilli:

So you can see now where 67% abandonment comes from.

James Robert Lay:

I feel the pain because we've done the same thing qualitatively with real human beings and you get to these stop points, they're breaks in this, they seem logical, I guess, when you go into production, but once you put it out into the real world, it's like huh? For example, a credit union, field of membership question.

Speaker 4:

Right.

James Robert Lay:

Creates a lot of confusion, particularly with one instance, we saw how it was being deployed and they had some quantitative data, but for whatever reason working with the lending department internally did not make any of the proper transformations.

Speaker 4:

Right, right.

James Robert Lay:

Fine. If the data doesn't speak loud enough, let's bring the people to the table and you get ten people who are saying the exact same thing that are not internal, these are people in the local community, and you're just asking some very open ended questions of this experience, and it's like you can measure and marry the two different data points together. And I think ... But it can't just be a one and done process, right? This has to be something that is continuously tested.

Carlo Cardilli:

Absolutely, it's continuous, and also there's this interplay between changes in regulation, which things do change and you have to keep up your disclosures and your regulatory compliance with the regulatory climate. And the fact that often the compliance team is not part of this conversation around how well the system is approving. They kind of ... They're over there and ...

James Robert Lay:

Yes.

Carlo Cardilli:

I'm going to send you this to sign, and then they're going to come back with red lines, and I literally have seen screenshots printed out that were ...

James Robert Lay:

Nope, nope, nope. Yeah.

Carlo Cardilli:

And scrawled on PDFs. I mean, designed by committee, and that's part of the problem. So from a qualitative perspective, you have to have these teams part of the conversation. From a quantitative perspective, you have to have the conversations. Look, asking this set of questions in this order, in this way, is going to lead to maybe a few percentage points of abandonment and then some downstream effects on loan quality. I really want to talk about that in just a second. So we got to trade this off.

James Robert Lay:
Yeah.

Carlo Cardilli:

And if you insist on asking somebody about a wire transfer, when they're really just trying to get a car loan, well, this is what happens. The data tells you this is what happens. Now as an organization do we want that or do we want a different outcome?

James Robert Lay:

It's great you bring compliance into this conversation and I can think of some financial brands who are in the Banking on Digital Growth program right now and they're going through the university and compliance is a part of this discussion. Some have 30 or 40 people in the university, and when you hear someone over compliance getting excited about building a website that sells and they're understanding how people make decisions and how ... And it's high level introductory like UI/UX, not getting too deep, but now they have a basic understanding, they're able to take some of that perspective when they're going in and making these decisions that's not going to hopefully make a negative impact like it would have before if they didn't have that clarity, they didn't have that awareness.

James Robert Lay:

You bring up another great point about loan quality here, because you're right, if we're just getting ... It could have the perception, if we're running digital ads and we're getting all of these conversions for our applications, but it's not the right type of loan and they're getting denied rejection.

Carlo Cardilli:
Right.

James Robert Lay:
Speak on that.

Carlo Cardilli:

Well, a great example was one of our clients, a large credit union, and they were running these campaigns and they were targeting better quality borrowers. So the average credit score going in to the top of the funnel, people they were marketing to was 700 plus. They looked at the loans that were getting approved and there were uniformly on average 650 and below. These are averages of these populations.

James Robert Lay:
Yep.

Carlo Cardilli:

So where did all my good prospects go? Because I'm sending this out to high quality and I'm getting low quality borrowers back out. And what the data told us when we mixed in the credit ratings of the population in and the population out, very simply the better borrowers had higher abandonment, which means they have low tolerance for bad process and they have choices.

James Robert Lay:
Yes.

Carlo Cardilli:

They will just go elsewhere. So you are left ... If you have bad process, you are left with the folks that don't have a whole lot of options, and they've been turned down here, they've been turned down there. Maybe I can get a loan from this credit union, I will go through these complicated steps because I am hyper, hyper motivated.

James Robert Lay:
Right.

Carlo Cardilli:
And too, I'm going to share an experience I think that might be interesting for the folks in compliance. The challenge is not compliance, the challenge is compliance with a delightful process. And I just came back in from overseas to the country, into the country, and I signed up for a global entry.

James Robert Lay:
Yep.

Carlo Cardilli:
What a delightful experience. I'm in full compliance of border control laws, I show up at this terminal, I literally just take a selfie using this machine, and everything happens automatically. It stamps out a receipt with my name, with my passport number, I hand it to a border control post, and I am in. It was amazing. And I came back and I was telling everybody because it was a delightful experience, in full compliance of the rules. And that's the challenge for banking today. Let's give them a delightful experience in full compliance of the rules.

James Robert Lay:
And what is experience? Experience is well defined systems and processes that have been number one, strategically thought out, number two, applied, and then I think the key here is what you and I are talking about today, continuously optimize learning from what is working well, what could be even better, and stopping and/or cutting and letting go of all of that friction and frustration that's creating chaos in the mind of the consumer.

James Robert Lay:
Global entries is a great example. Back in the day, it was TSA pre-check, but now pre-check has kind of ... You've got a lot of people doing pre-checks so the pre-check lines are getting longer and longer, and now, so here's my personal travel hack for anyone listening, when you take your pre-check and you double that up with Clear, it really then gets you to the front of the line, thumb print.

Carlo Cardilli:
It's a catapult.

James Robert Lay:
It's a catapult. It gets you to the front of the line of the front of the line and it makes an otherwise cumbersome, complex, frustrating experience as pleasant, as positive as possible.

James Robert Lay:
Carlo, great conversation. Really great question. Always appreciate them. If you're listening, what's the best way to connect with you, Carlo?



Carlo Cardilli:

Just go to our website, AlphaRank.ai, and there's a contact form right there.

James Robert Lay:

Connect with Carlo. If you have a digital marketing sales or leadership question like Carlo text me that question to 832-549-5792, and I look forward to talking it through together with you on a future Clarity Calls episode. Carlo, thank you so much for joining me today. This has been a great conversation.

Carlo Cardilli:

It's been a pleasure. Wonderful.

James Robert Lay:

Until next time, and as always be well, do good, and make your bed.