



**Creating Actionable Knowledge Via Analytics**

**Analytex develops comprehensive model to measure lifetime value of an individual customer**



### **Client**

A regional bank

### **Problem/Challenge**

The company wanted to maximize the value of that relationship by targeting the right mix of marketing activities to the right customer.

### **Solution**

Analytex developed a map of a customer value by considering all the revenue and expense streams though out the lifetime. Each revenue and expense cash flow streams are driven by business drivers.

## LIFETIME CUSTOMER VALUE

**Analytex develops comprehensive model to measure lifetime value of an individual customer.**

**Client:**

A regional bank

**Challenge:**

Each existing customer has a value over the lifetime of the relationship. The company wanted to maximize the value of that relationship by targeting the right mix of marketing activities to the right customer. The first step in this process, however, is to know the value of the customer and the sensitivities of various levers to increase that lifetime value.

**Solution:**

The company did not have a model for estimating the lifetime value of an individual customer. There was a good understanding of the average value that any customer generated. However, the value of an individual customer can vary greatly.

Analytex developed a map of a customer value by considering all the revenue and expense streams through out the lifetime. Each revenue and expense cash flow streams are driven by business drivers. Analytex identified and established the relationship between the driver and the cash flow. For examples, response rate is a driver in acquisition costs; APR is a driver in the interest revenue.

A detailed model was developed that built comprehensive relationships between business drivers and cash flows. This model was then used to calculate the lifetime value to each individual customer. Among millions of customer, the model was then used to analyze sensitivities on drivers for each customer to maximize value. Several targeted programs resulting from this work were developed based on this work to improve customer value.

