# Who Are Our Best Customers?

Based on analysis of 600,000 <u>actual</u> customer experiences

XXXXX

# Introduction:

- Source: North American sales XXXX-YYYY
  - 562,277 Sales (through banks)
  - 59,624 DirectSales
- "Profit"[1] = float revenue $XX per day) + fees[2] – risk exposure ($XX per $100) – ops expense ($XX per cheque)
  - [1] Profit, as defined here, is a directional measure of customer value and revenue generating potential. It is NOT an absolute measure of profitability as it does not contain fully loaded expenses, notably incentive and advertising / marketing fees.
  - [2] fees = $XX per XX and $XX per $100 of YY
- Data is primarily summer month sales which may lead to shorter than annual average float days.

# As Purchase Size Increases, So Does Profitability

**Why?**

• Cost components (e.g. printing, distribution, etc.) are approximately the same what ever the purchase size. However, the float life requirement for profitability in lower purchase size is dramatically longer (~XX times).

**Implications**:

• Float life for $20s, $50s, and $100s is very similar. Float life on $500s and $1000s is 1/3 shorter, but revenue is higher due to increased dollar value.

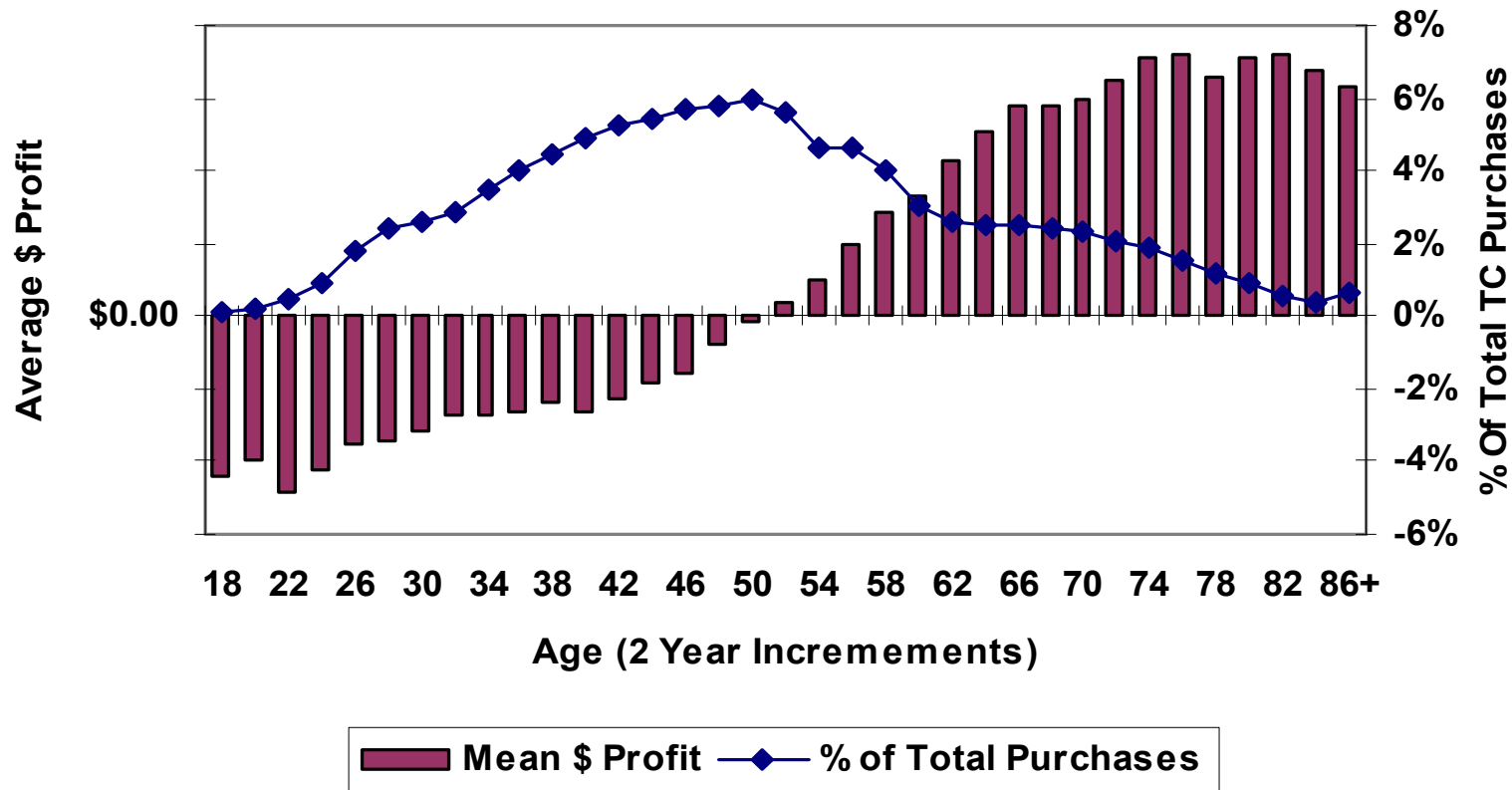• Women buy more low profit $20s and fewer high profit $100s.
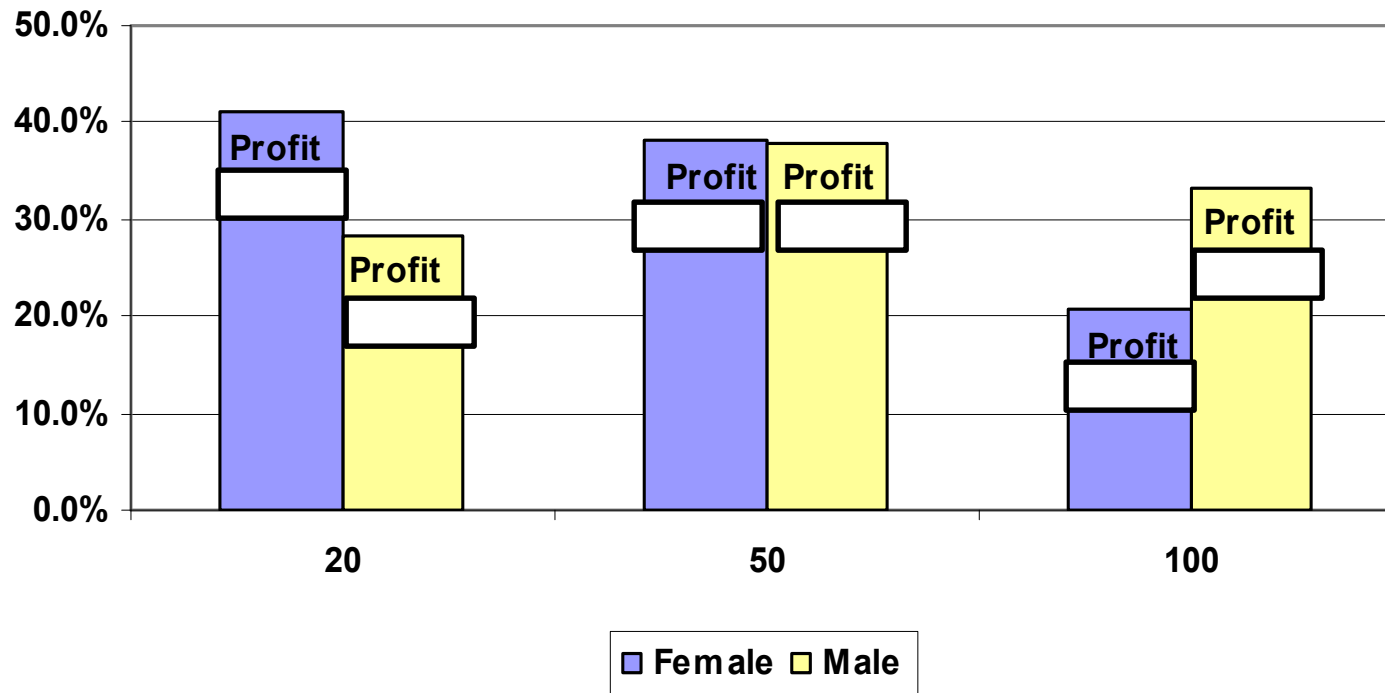
# Older is Better…

**Why**?

• As a group, older consumers buy larger denominations and hold them longer.
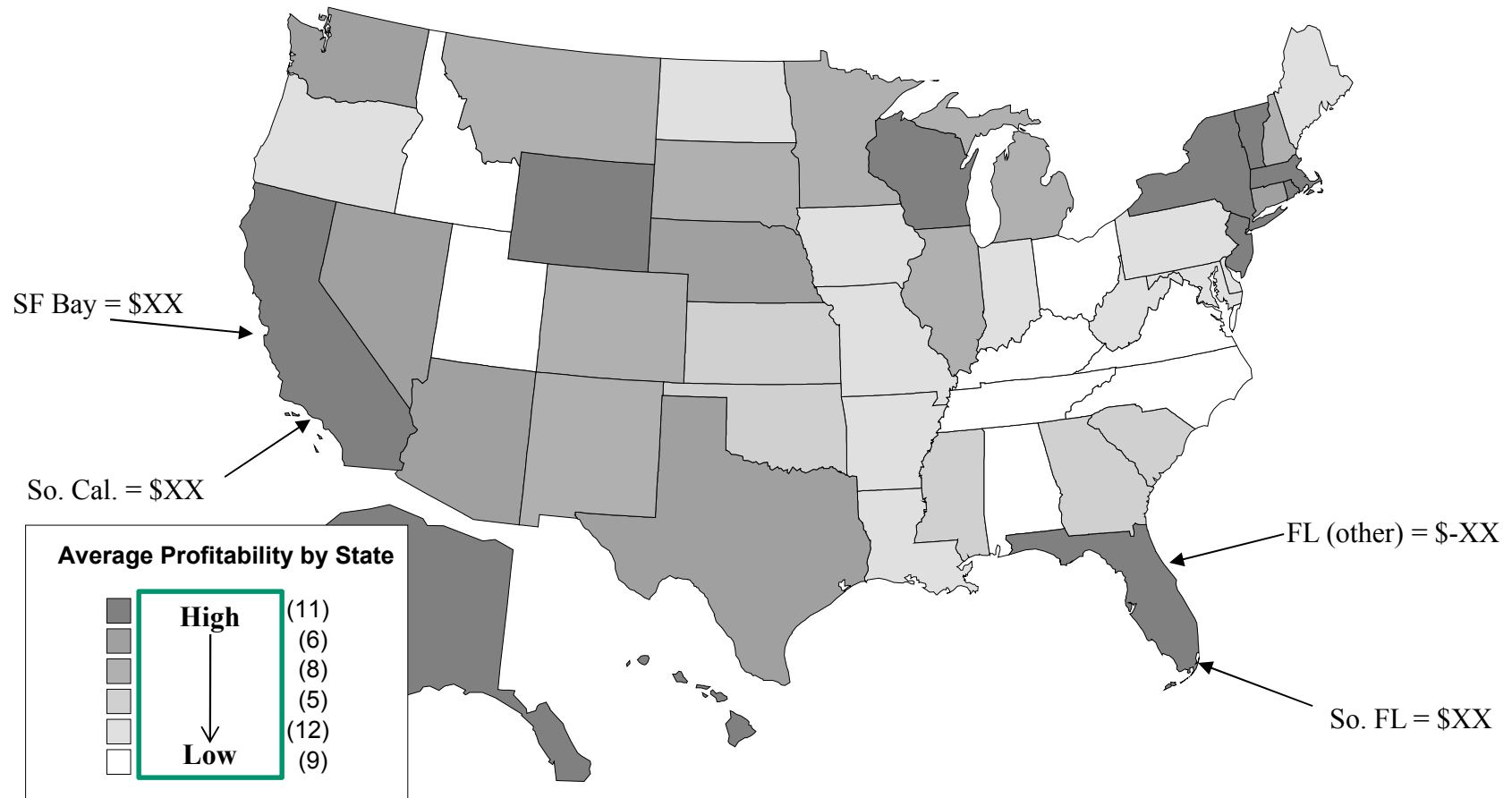
**Implications**:

• The breakeven profitability point for age is in the mid 50s.

• On average, average profit below age 50 is -$XX, age 50 and above it is $XX



Age (2 Year Increments)

Legend: Mean $ Profit — % of Total Purchases

# Affluent Areas Are More Profitable

• Certain areas are highly profitable.
   – Alaska/Hawaii, SF Bay area, and NY/Boston,
• Most transactions in the American South and the Intermountain West are unprofitable, due to more purchases of lower float amount, smaller denom cheques.



SF Bay = $XX

So. Cal. = $XX

FL (other) = $-XX

So. FL = $XX

**Average Profitability by State**

| | | |
|---|---|---|
| | **High** | (11) |
| | | (6) |
| | | (8) |
| | | (5) |
| | | (12) |
| | **Low** | (9) |

# More income is better…

- The highest income customers are the most profitable.
  - However, <u>low income customers are also profitable</u>.
- Age within income groups is not a factor.
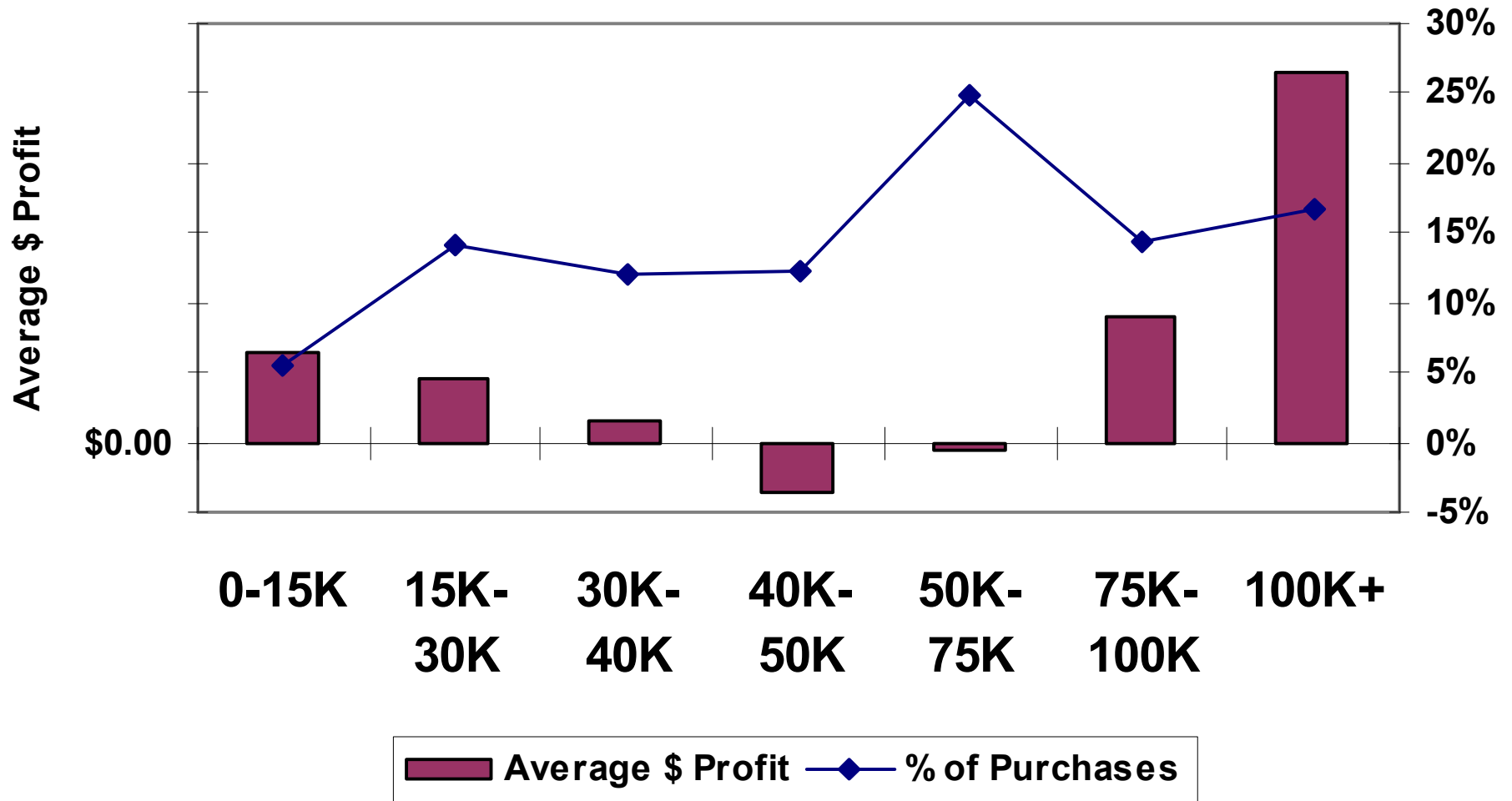
# Presence of Children Means Lower Profitability

- 85% of purchasers with children in their household are 18-55 years old.
- The 15% of customers age 55+ with children in their household are very profitable.
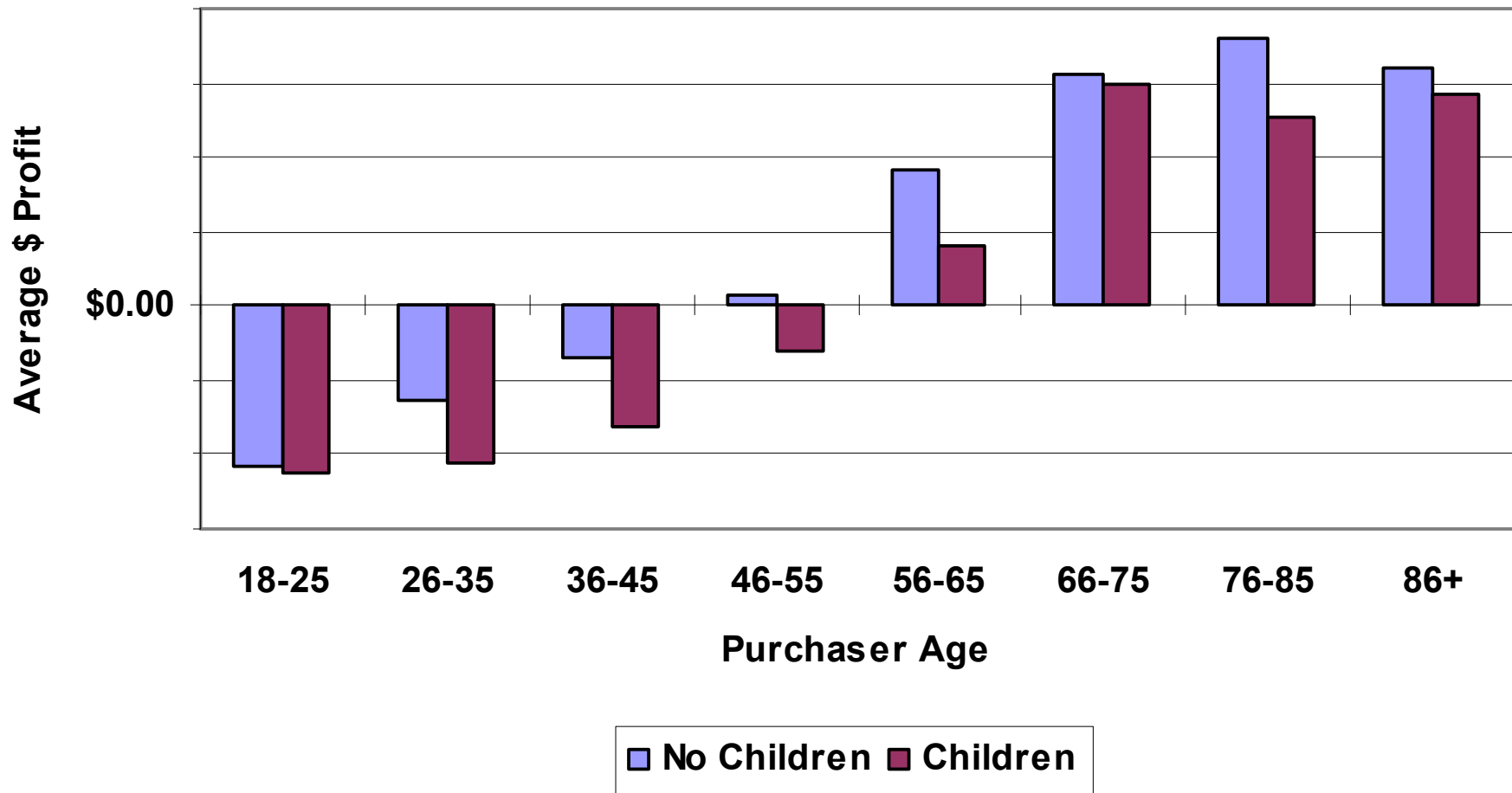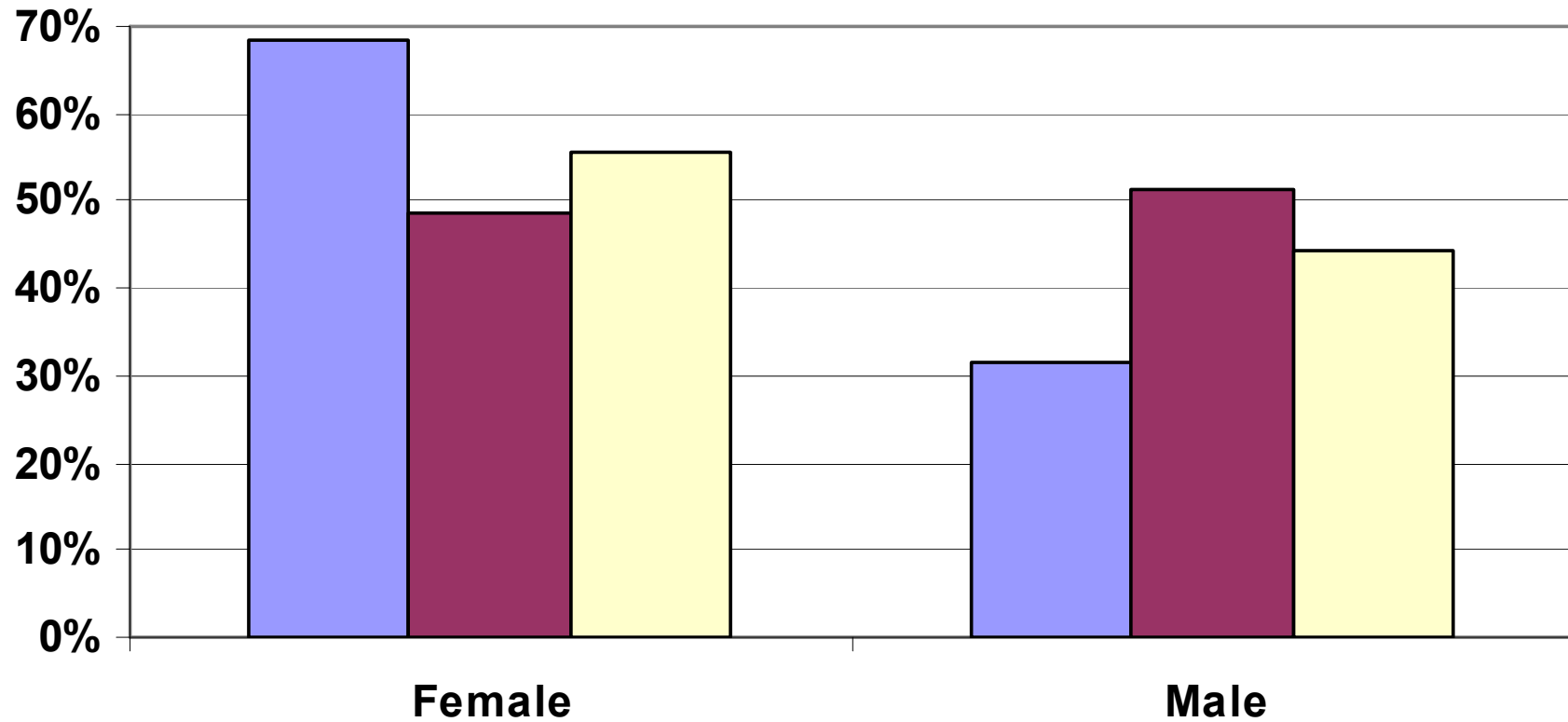
# Extremely Stable Residence Status Is Good

- The most profitable customers have lived at their address for at least 15 years.
- Most profitable customers have lived at their address for at least 10 years.
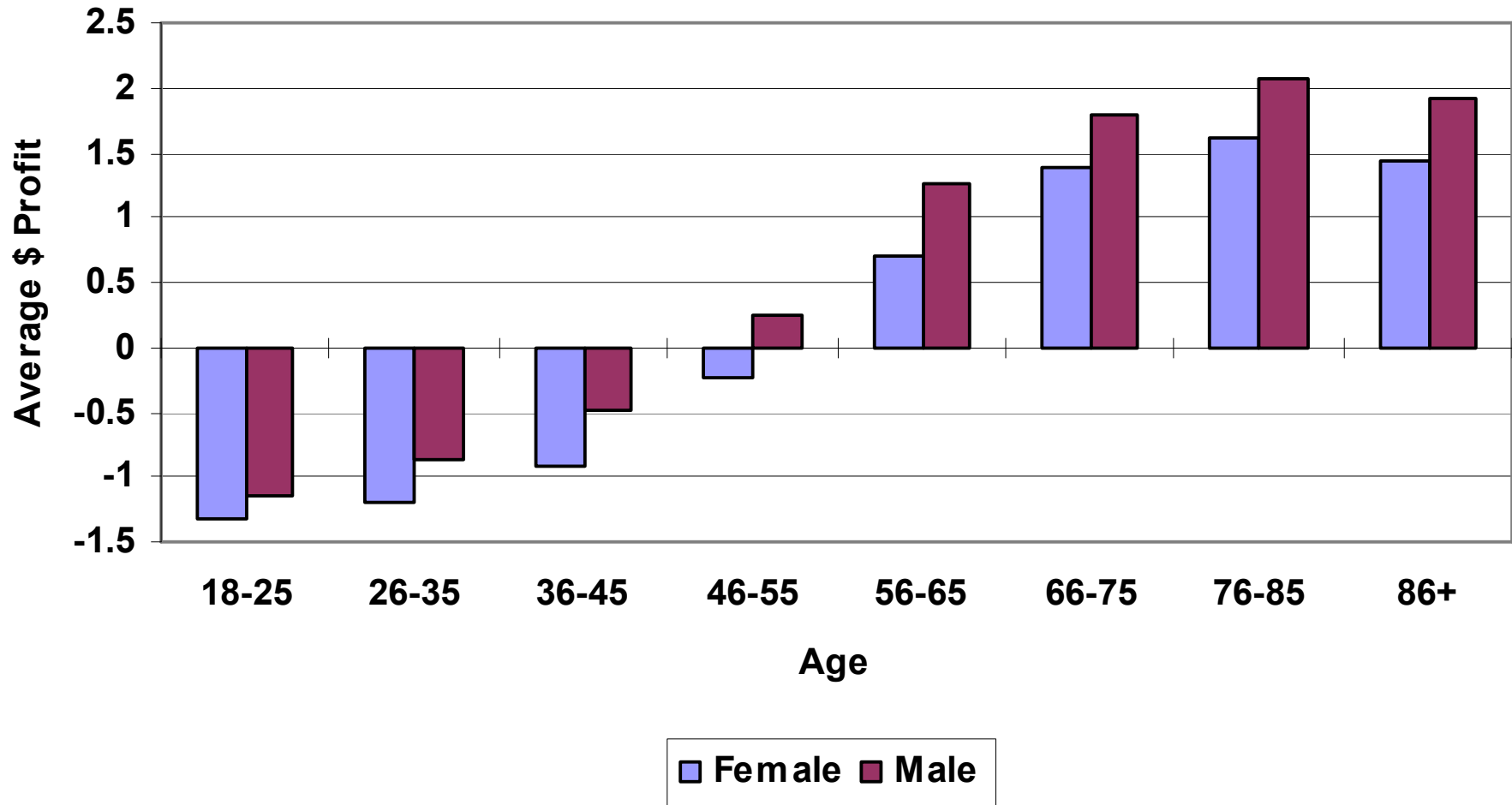- Average profitability for 0-7 years residence is $-XX, 8+ years is $XX.
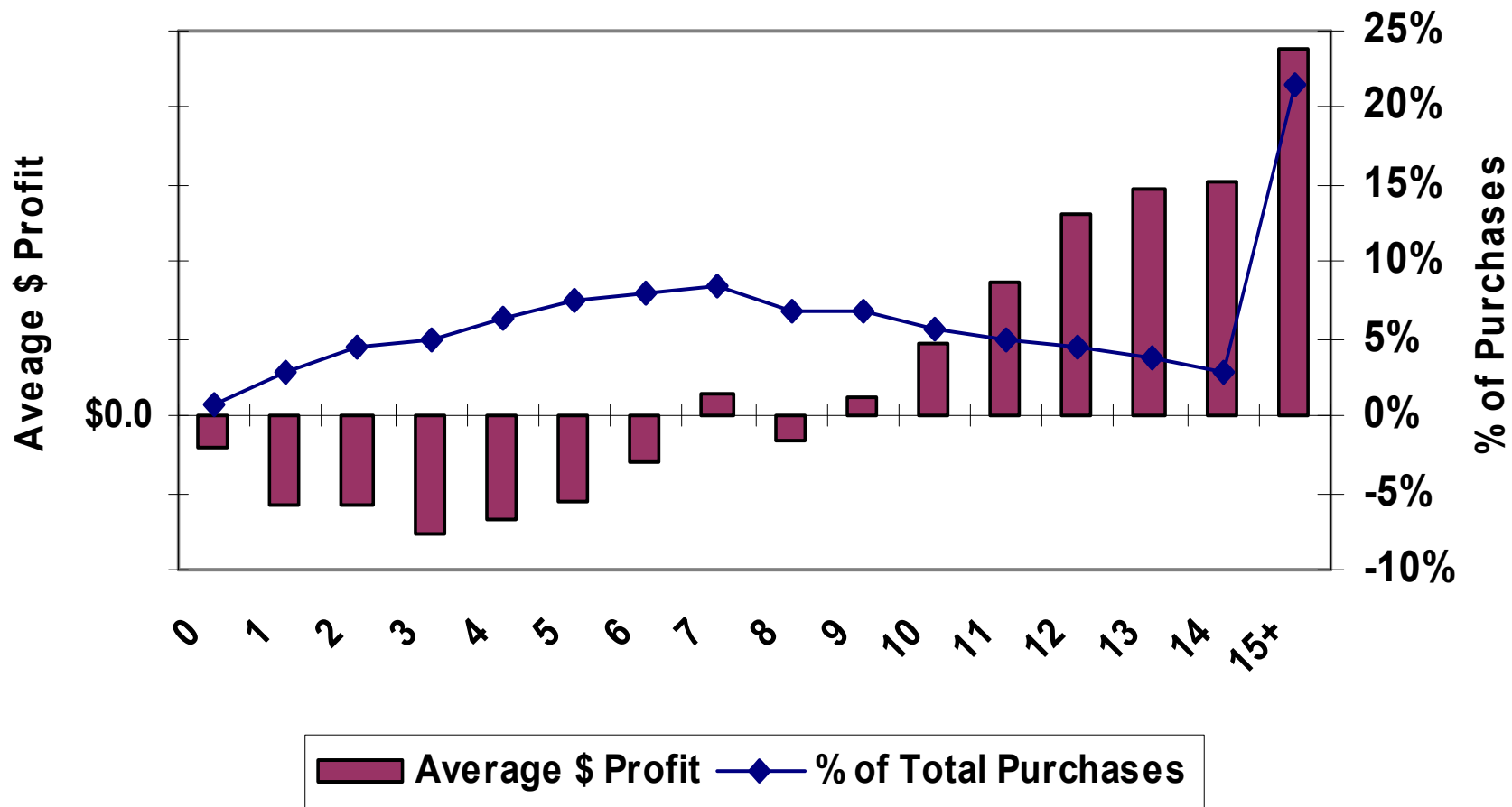
# Two-thirds of Product 1 sales are to women.

# Men Are Somewhat More Profitable Than Women

• Men are highest profit because they buy a larger proportion of higher denom cheques
• However, <u>women 55+ years old are very profitable customers.</u>

# Key Points for High Profit Customers

- Focus on sales of higher value and fee based products.

- High disposable income Target
    - Rent or long-term residence (lower housing costs)
    - Affluent geographic areas

- 55+ remains #1 market segment
    - 45+ without children is a strong secondary segment

- Students and 35-44 with children are lower profit segments.
    - May be <u>future</u> high profit customers