



Three Steps to Assess Customer Profitability Post-COVID-19

While you may not be thinking of customer profitability as much these days, customer relationships are always important. Right now, you are working on filling the immediate needs of your business customers, which is crucial. Paycheck Protection Program loans, loan modifications, and line extensions are all likely often discussed to ensure that your banking customers stay in business. However, there will come a day when COVID-19 isn't a crisis anymore and businesses start settling back into their place in the economy. When that happens, you will want to have your customer profitability ready. So, in preparation for that day, we wanted to discuss the top three steps to assessing your customer profitability.

#1 Gather Customer Data. While you are satisfying the demands of your customers, you are gathering data, of course — from the number and type of transactions to fees waived and the length of their loans. For new customers signed up for the Paycheck Protection Program, data collection is even more critical. Leveraging that data in the future to understand how to best serve those customers is one of the most important ways to assess customer profitability, so make sure the data you collect is clean and accurate.

#2 Use Communications. It goes without saying that continual communications with your customers provide you with additional information as well. Once they have their business back on solid ground, you will want to check-in to see their plans for the future. You will also want to remind them of the important offerings you can provide that help them along the way; use multiple channels including email, your digital portal, and your website. With continual touches, you can capture more information for a complete customer profitability picture.

#3 Apply Profitability Indicators. While collecting customer data is key, profitability indicators help you use that data effectively. There are certain indicators, such as the number of services or length of the relationship that will provide you with more confidence in the customer's loyalty and profitability. This could help determine your game plan with the customer. If one customer has three services and five years with your institution while another has one service and one year, the data shows that the former will be more loyal, but not necessarily more profitable. Having a model to both track and analyze this data is important to see where there are gaps in profitability and opportunities for additional income.

We all look forward to the day when COVID-19 is a distant memory. Until that day comes, start preparing to assess your customer profitability.

For more information on how to assess your customer profitability, please contact Dennis Falk.



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