



# The KPIs of Relevance

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# Balancing Your Strategic Perspective



## Perform

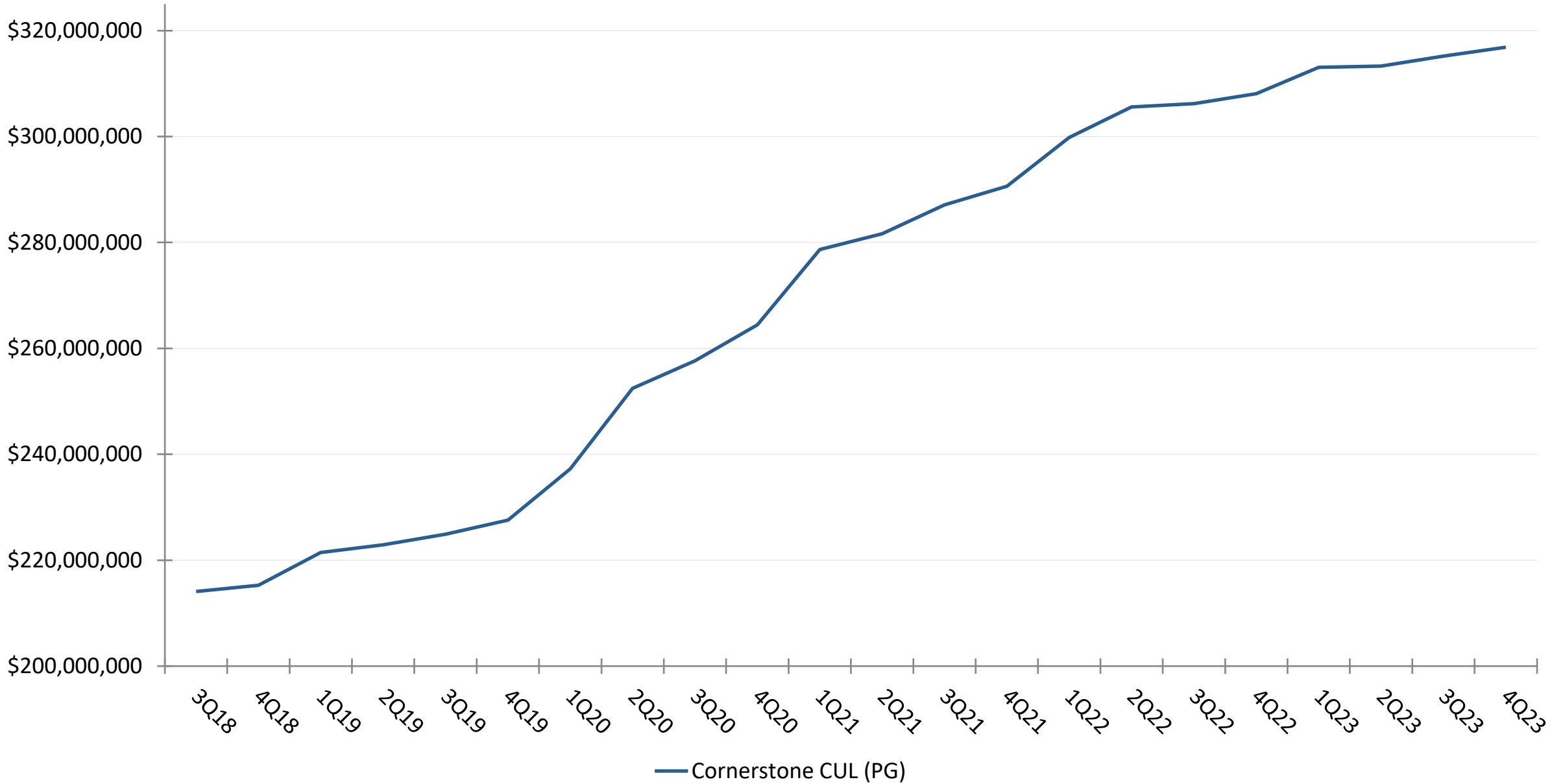
Growth; Profits; Share; Current



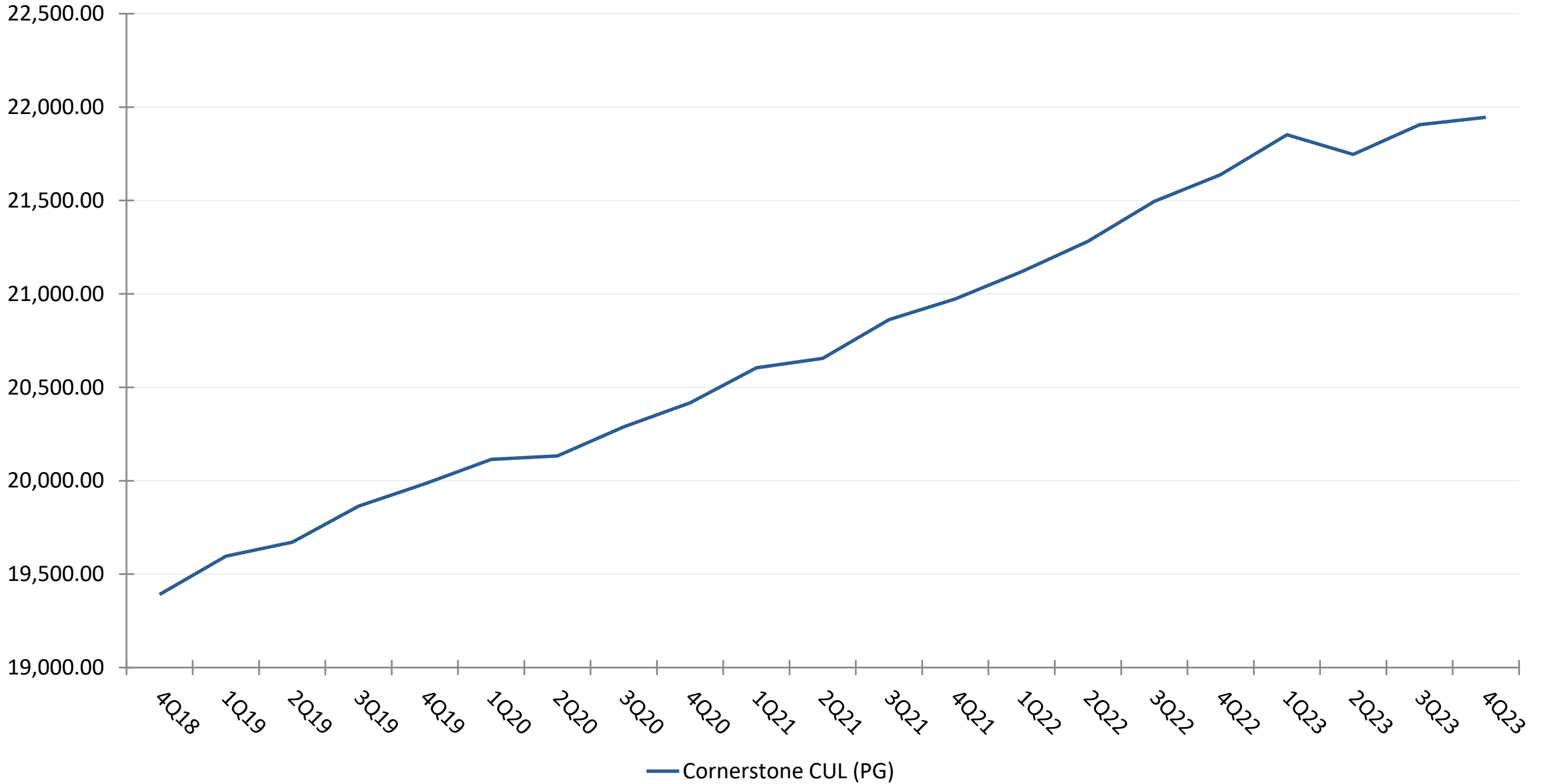
## Transform

Markets; Models; Experiences; **Next**

# Total Assets

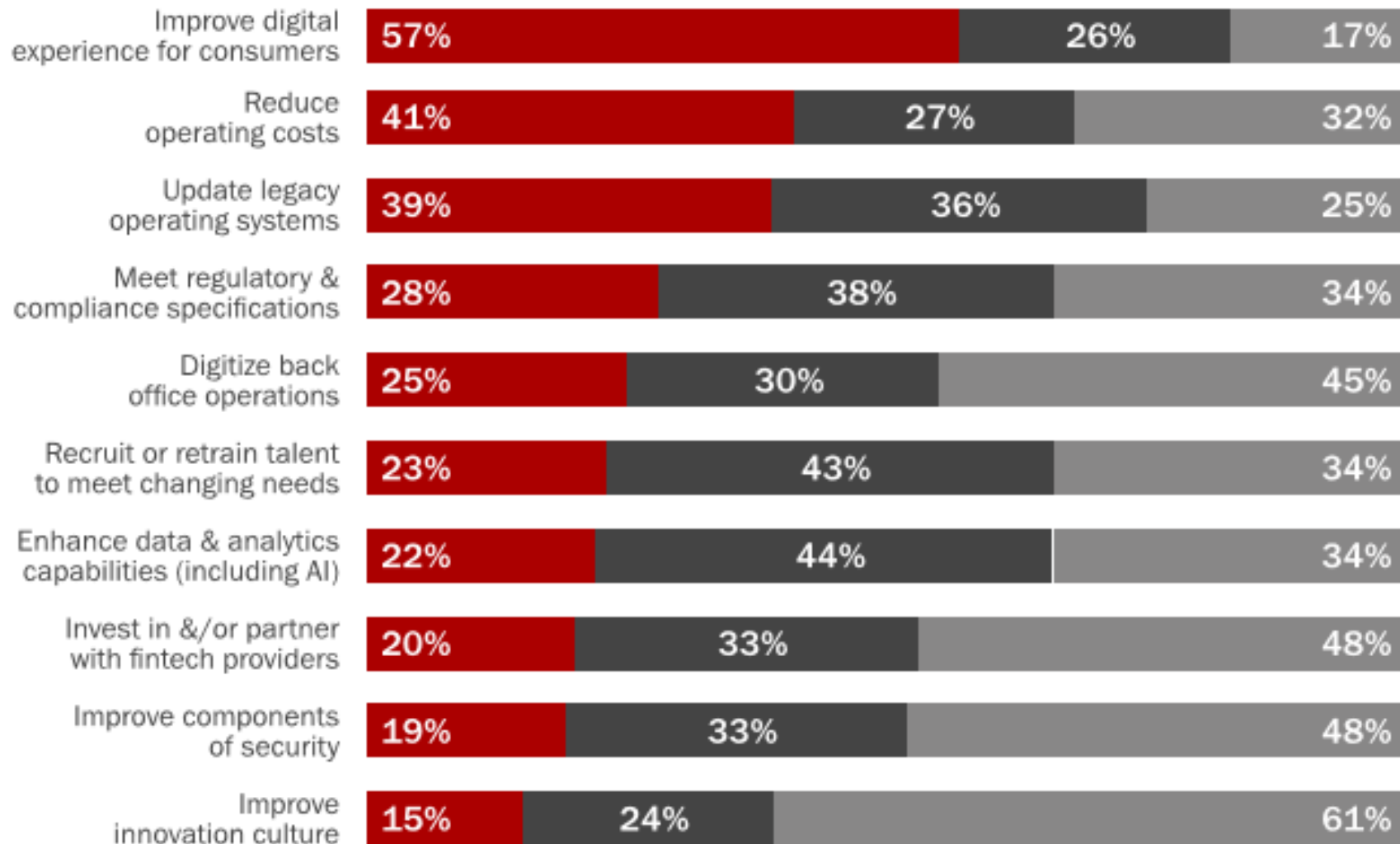


# Total Members



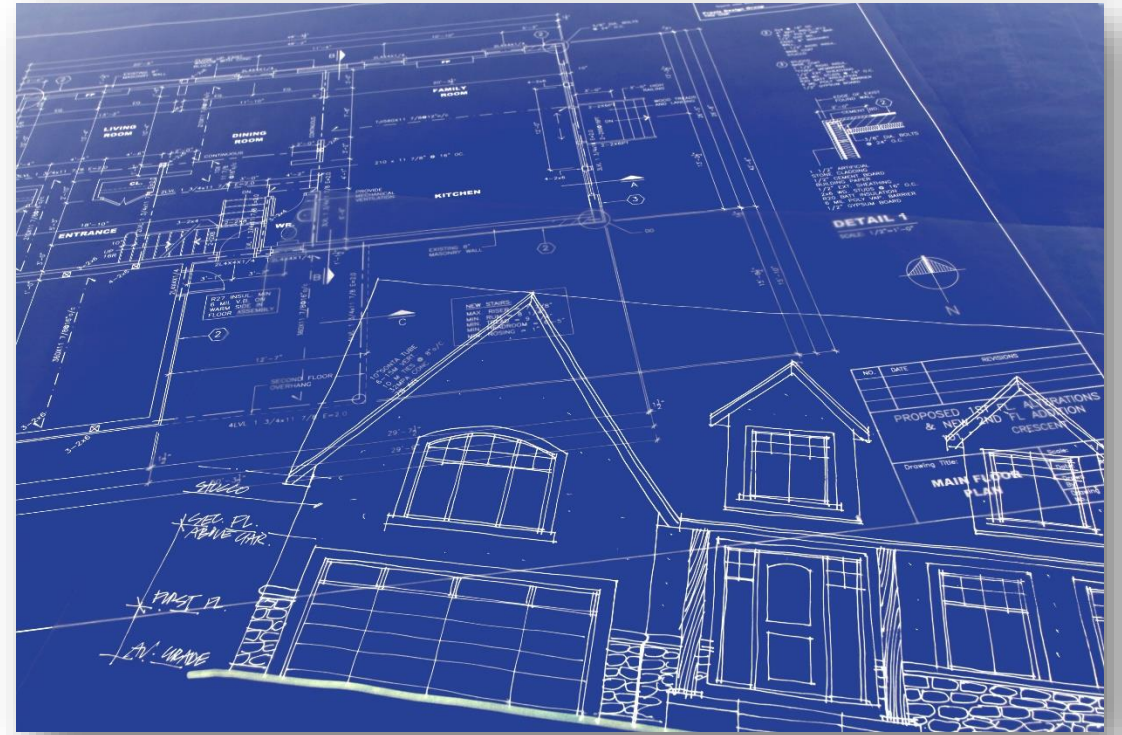
## TOP THREE STRATEGIC PRIORITIES FOR 2024

What are your top three strategic priorities for 2024 as an organization over the next 12 months? (Select one answer in each column.)



# The 10X Model and Method

- Every CU in the USA.
- 25 years of data; closer focus on most recent 5 years; 9.4MM data points.
- Long-term averages; statistical deviations and correlations; a final score.
- Analyzed with investor's outlook.



## The Findings

- Any charter or FOM can succeed.
- All markets matter.
- Assets  $\neq$  ultimate measure of success.
- Focus and finish philosophy.
- Look for change; lead the change.



# The Balanced Measures

- Growth: Members, Loans, Shares
- Operations: Efficiency, Engagement, Losses
- Results: Capacity, Capital, Earnings, Profits

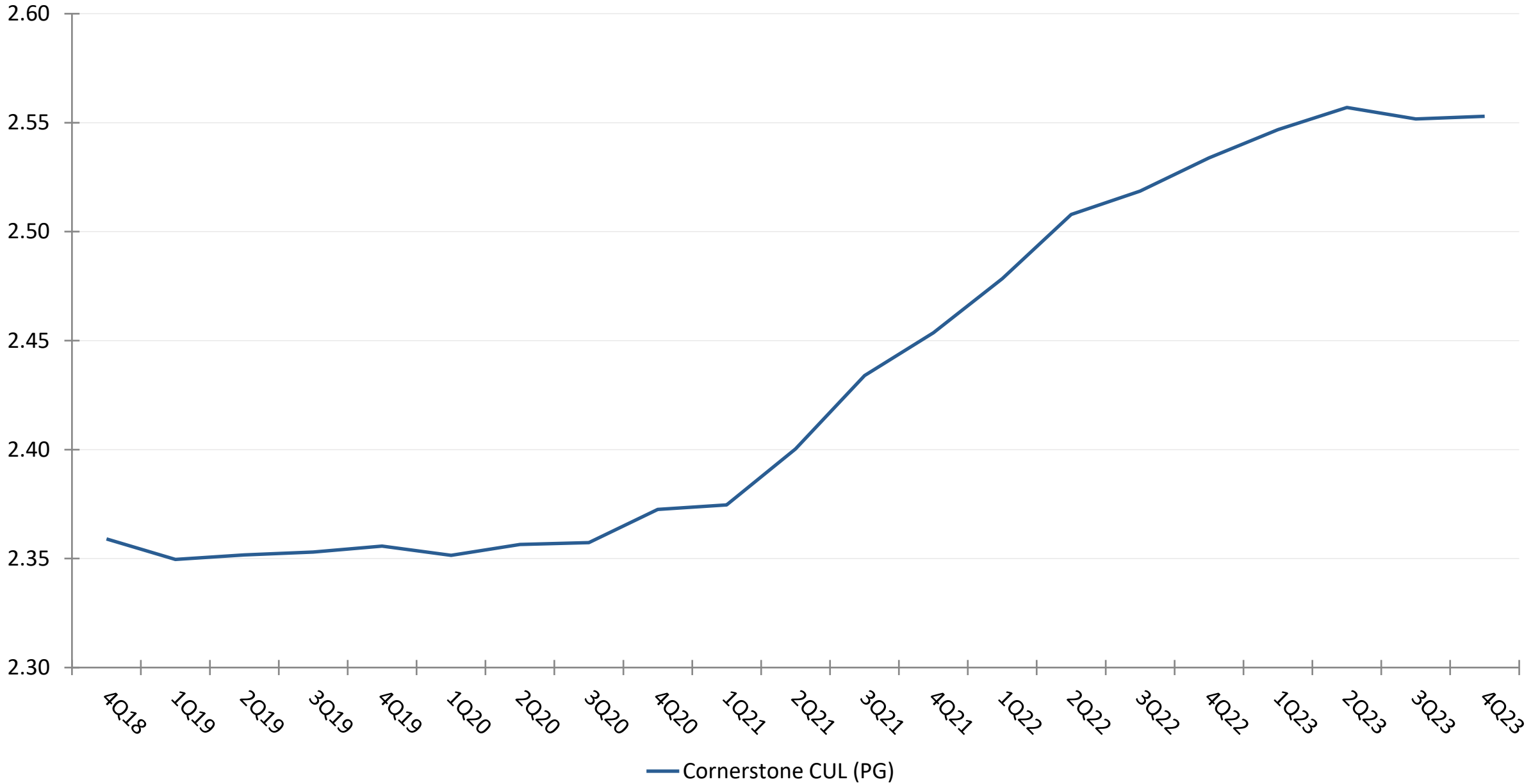




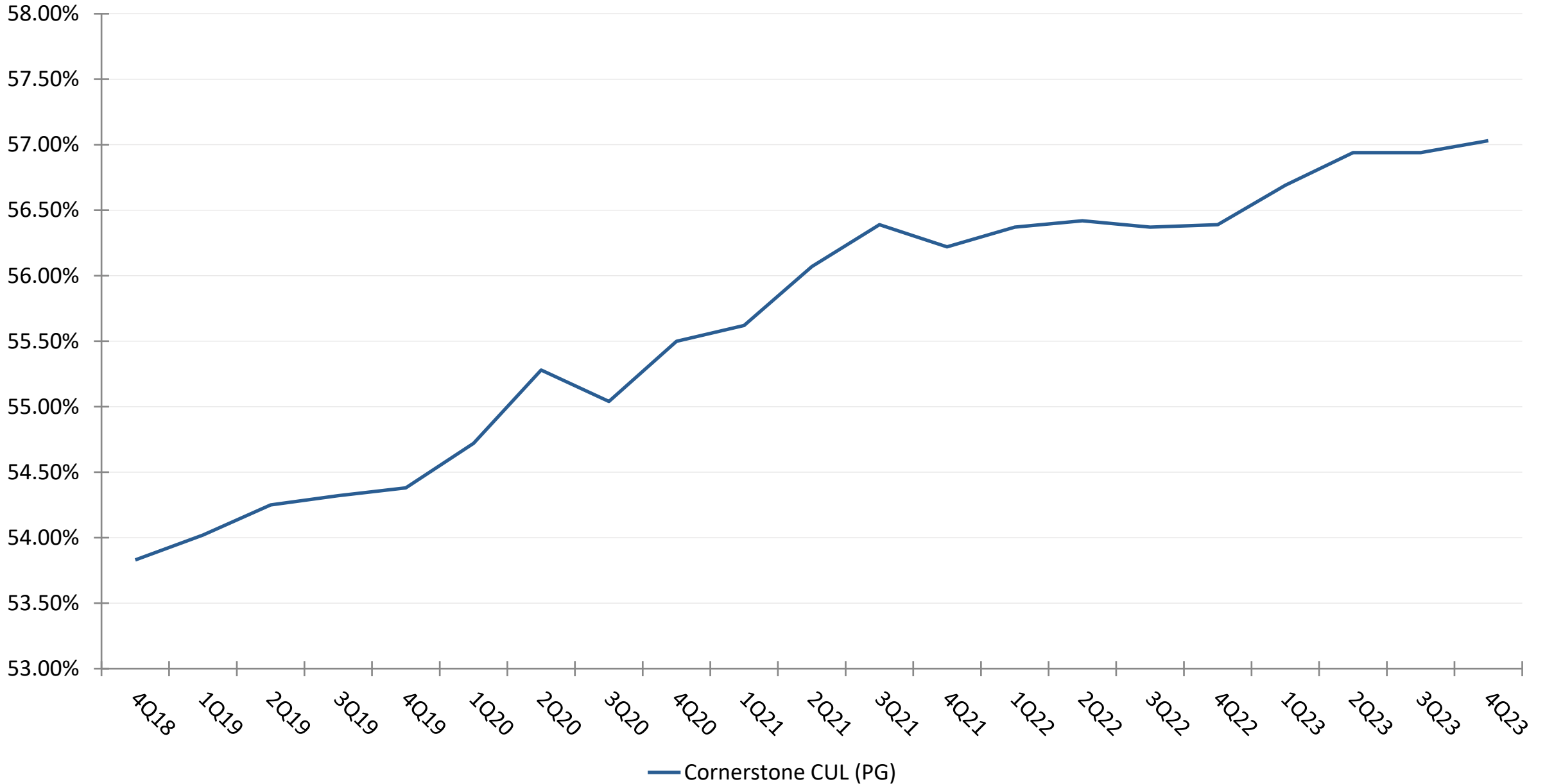
# The KPIs of Relevance?

- **Membership Growth, Ages 25-45.**
- Spend/Debit Account Penetration.
- Mobile/Online Banking Usage.
- Tenure of Membership; **Retention of Members.**
- Loan Production Growth.
- **Revenue Growth**; Core Earnings.
- **Operating Efficiency** Ratio.
- Return on Assets.
- **Return on Equity.**

# Accounts per Member



# Share Draft Penetration



# How Americans Bank: Most-Used Banking Methods

Mobile app banking is most preferred



# Different Generations Bank Differently

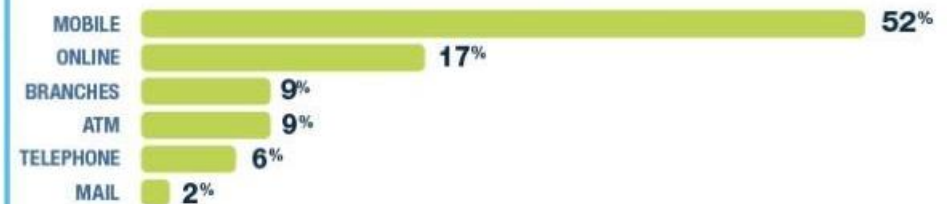
## GEN Z (1997–2012)



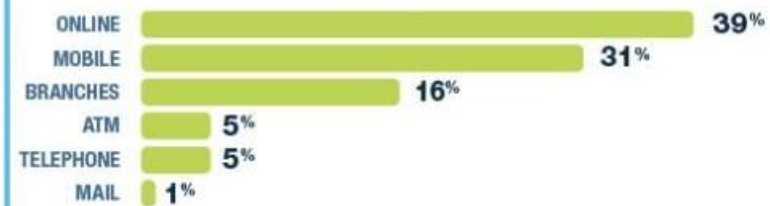
## MILLENNIALS (1981–1996)



## GEN X (1965–1980)



## BABY BOOMERS (1946–1964)



## Emotionally connected banking customers are 6 times more valuable

For Customers of U.S. Retail Banks <sup>1</sup>	Highly Satisfied Customers	Emotionally Connected Customers	Emotional Connection Multiplier
<b>BEHAVIOR</b>			
Products held with bank <sup>2</sup>	3.0	3.6	1.2x
Number of banks used	2.1	1.8	0.9x
Primary bank	65%	86%	1.3x
Annual attrition rate	9%	2%	0.2x
<b>CUSTOMER LIFETIME VALUE</b>			
Lifetime revenue	\$10,189	\$59,500	5.8x

# Examples in Action



Awareness as a leading indicator of growth.

Marketing; community as strategy.



Expansion of real estate; entry into small business.

Secondary market products; serving the entire small business.

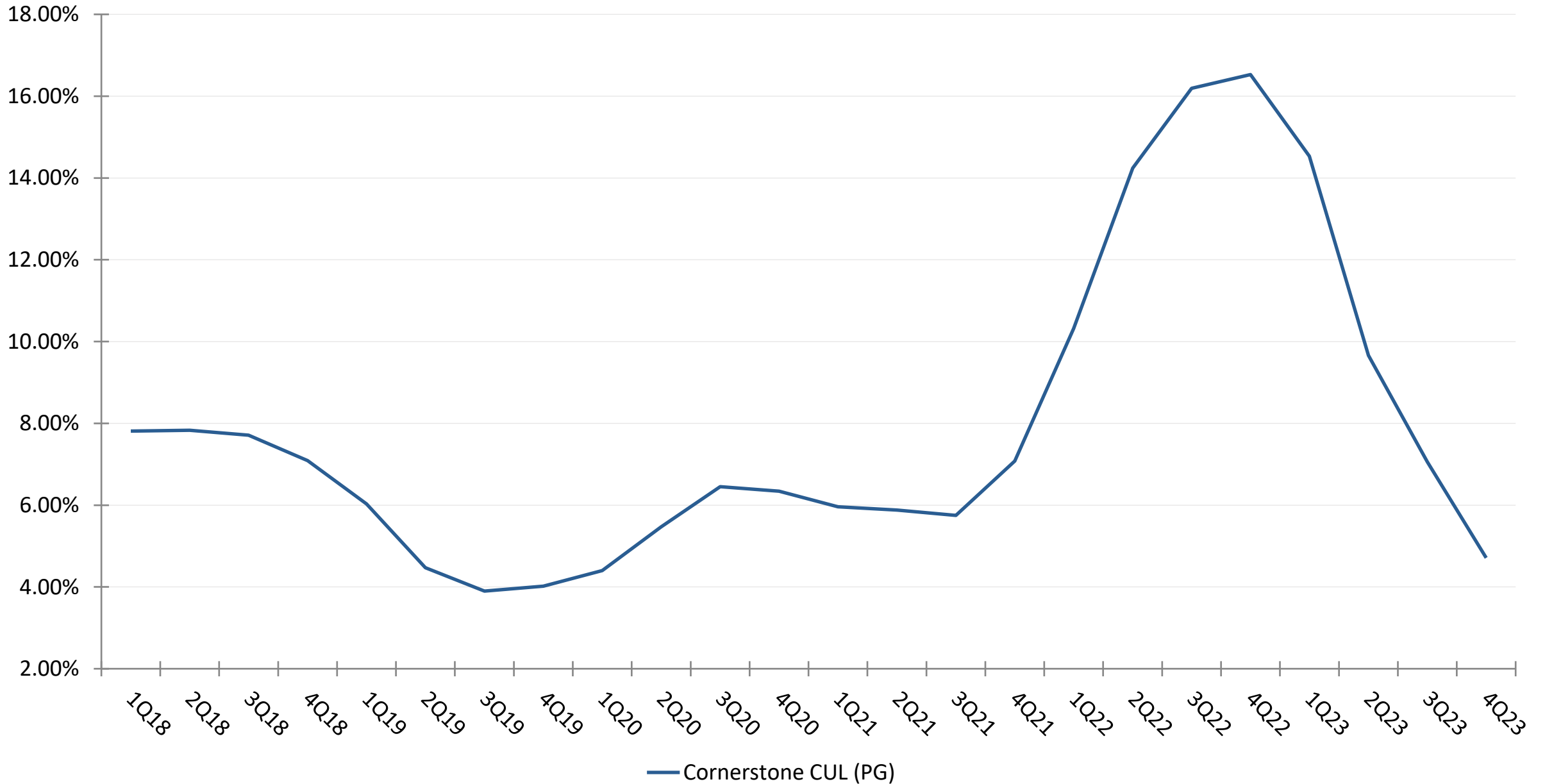


Payments leadership.

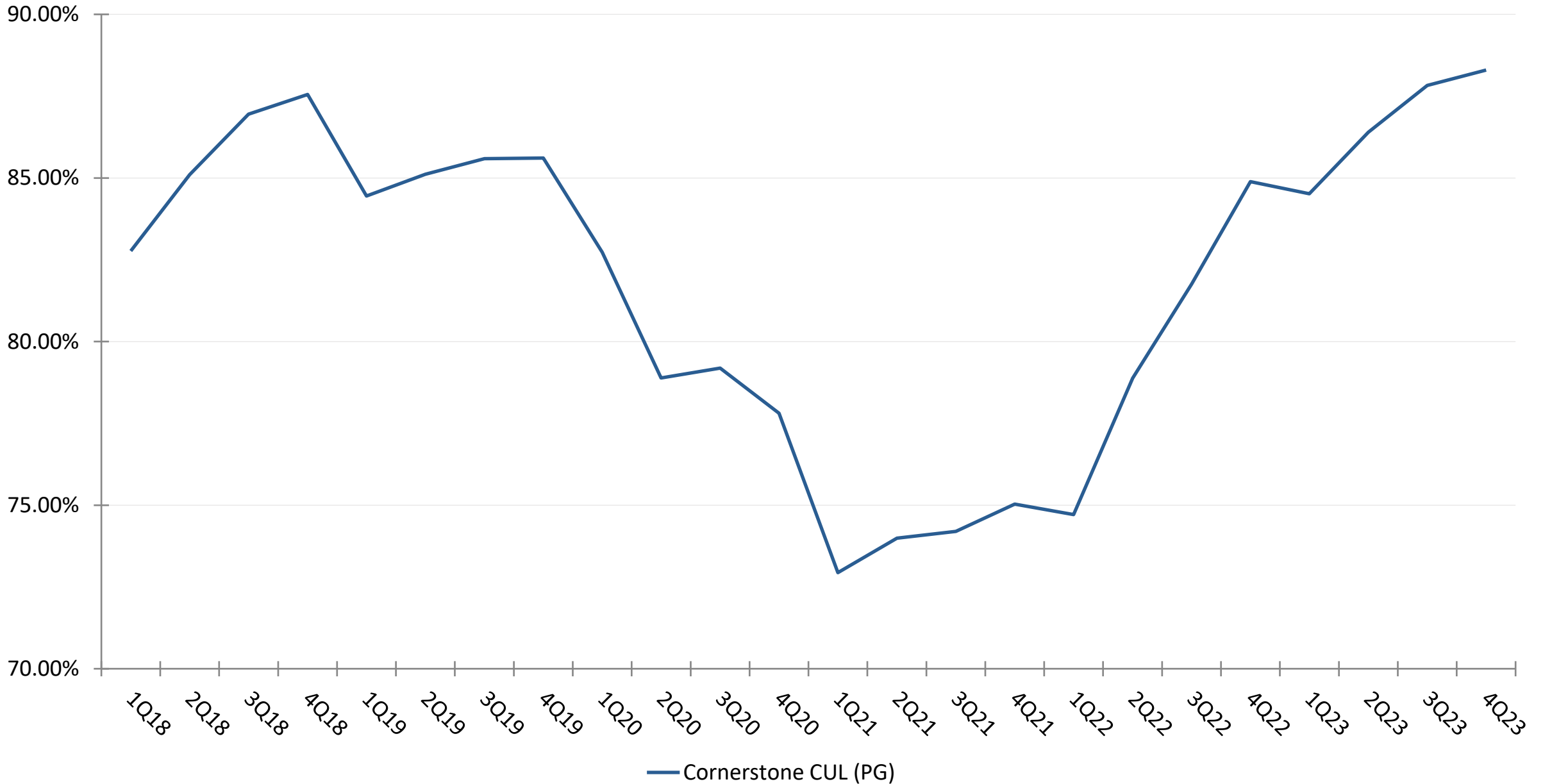
Debit; digital; rewards; education.



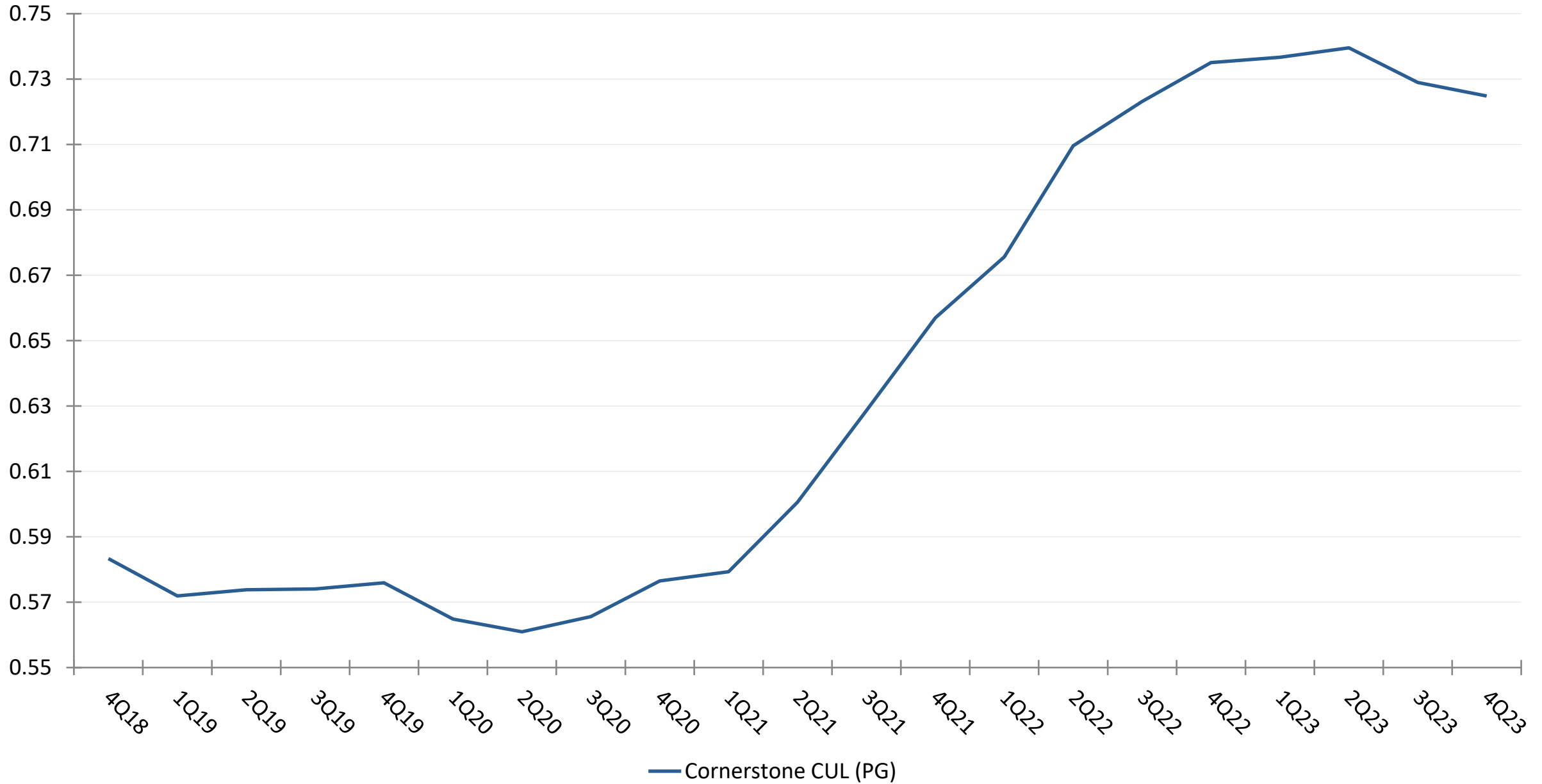
# Loan Growth



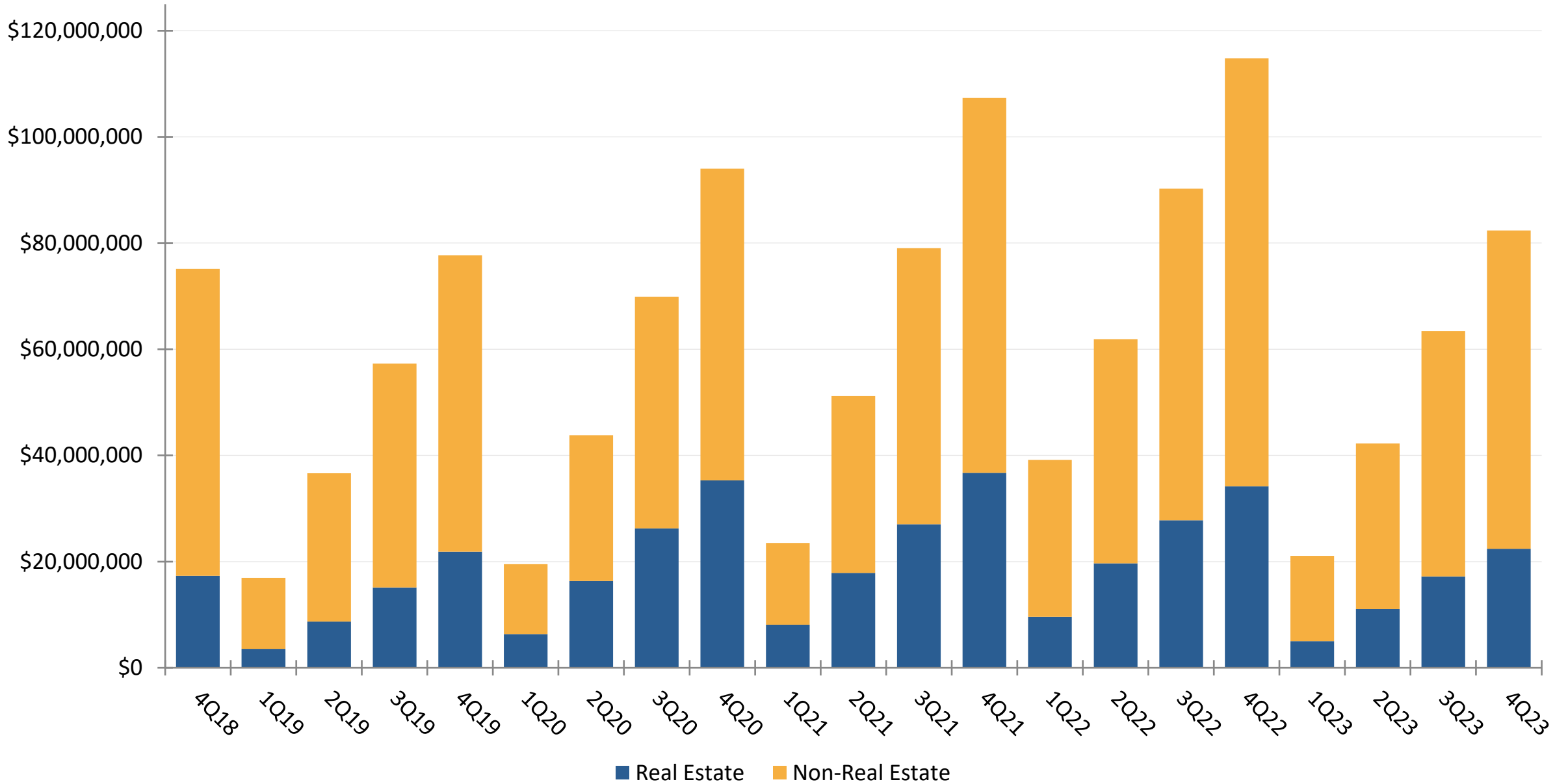
# Loans to Shares



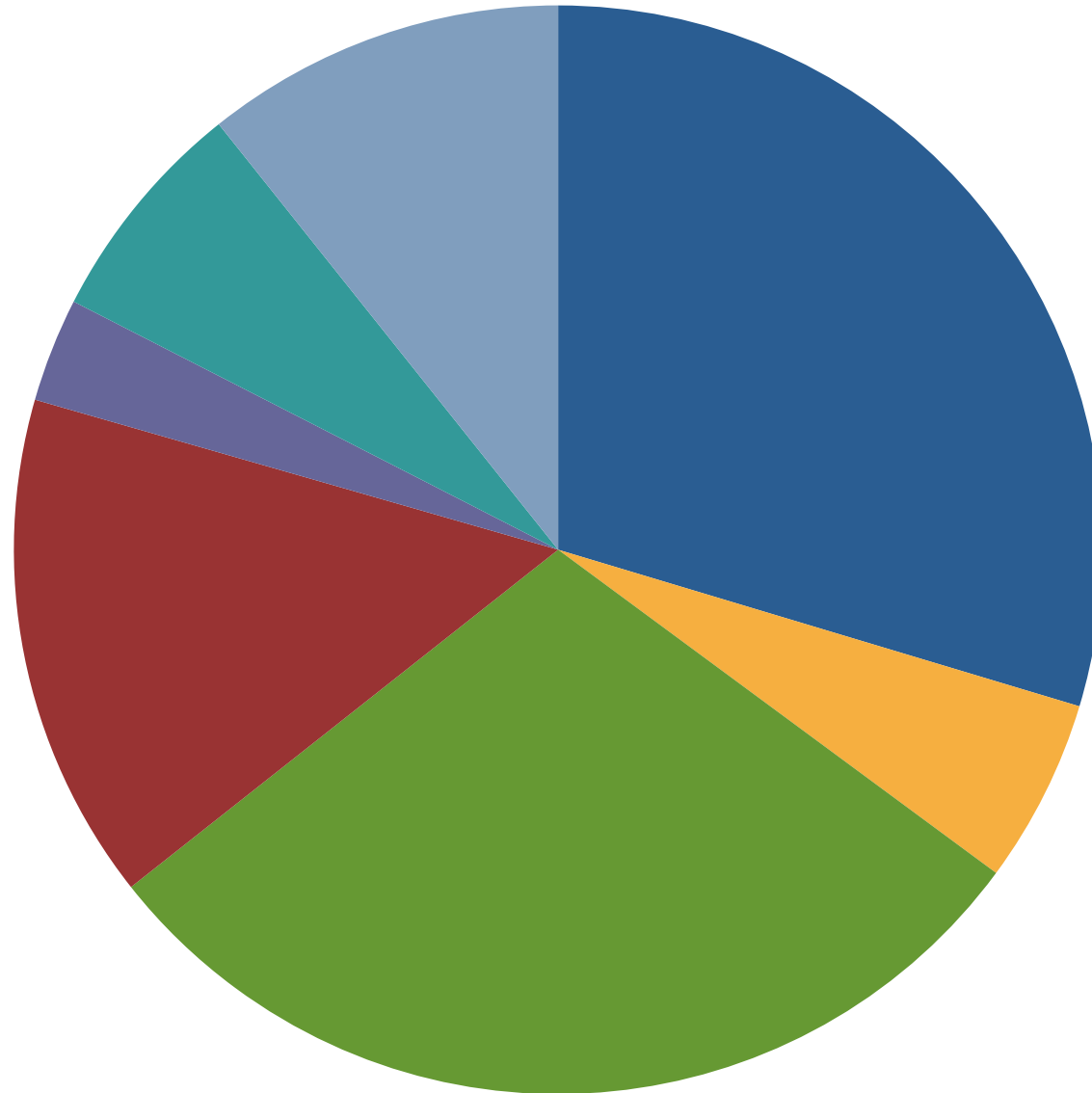
# Loan Accounts per Member



# YTD Loan Originations - Cornerstone CUL (PG)



Loan Composition - Cornerstone CUL (PG)



■ Residential 1st Mortgage ■ Residential Other Real Estate ■ Used Auto ■ New Auto ■ Credit Card ■ Commercial ■ Other Loans

# Examples in Action



Always marketing.

Automated; targeted; digital; data.



Non-interest income.

Interchange; insurance; overdraft; CUSO.



Focus on efficiency and scale.

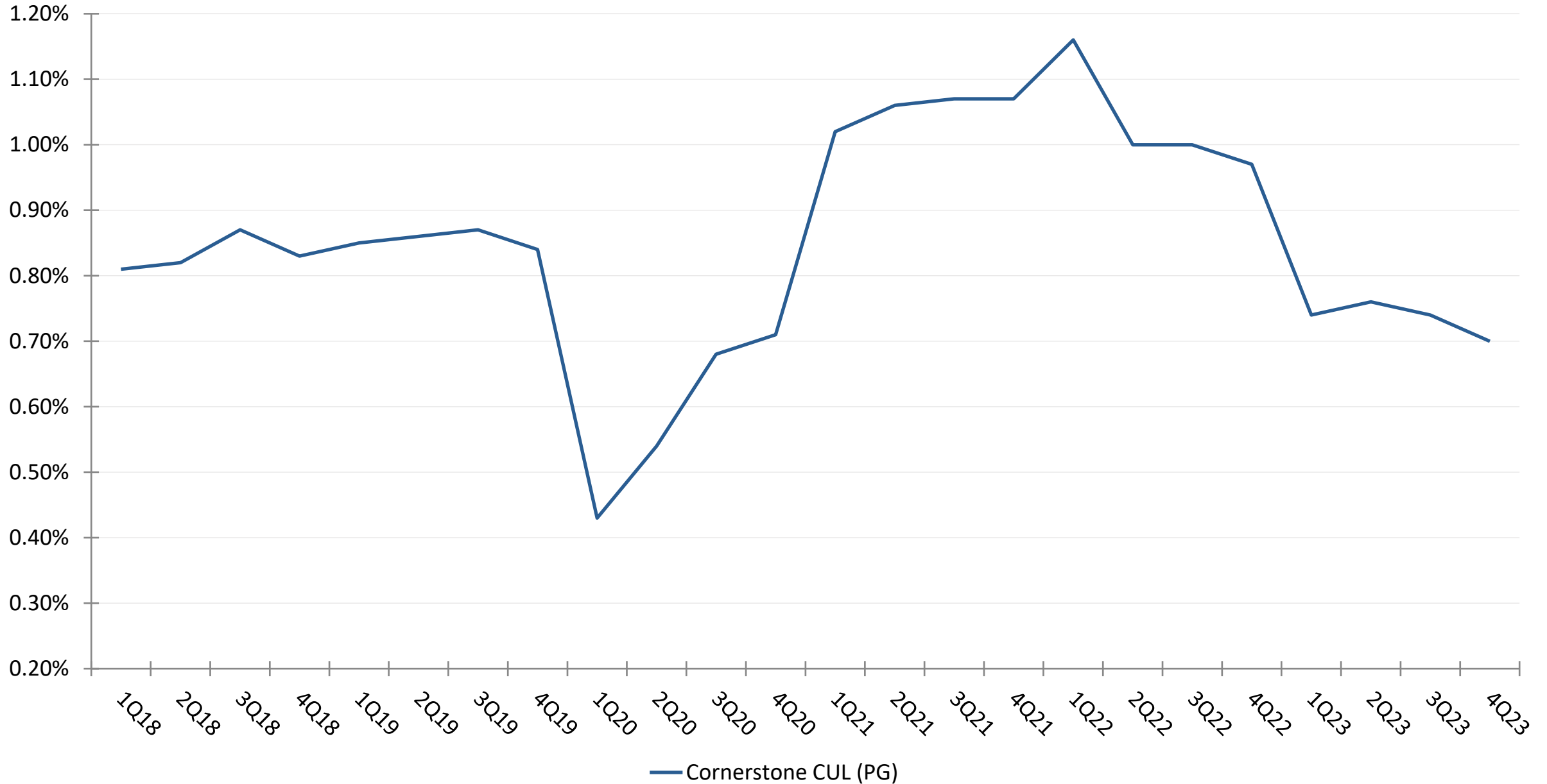
Departmental metrics; lean ops; AI.



Capital drives capacity.

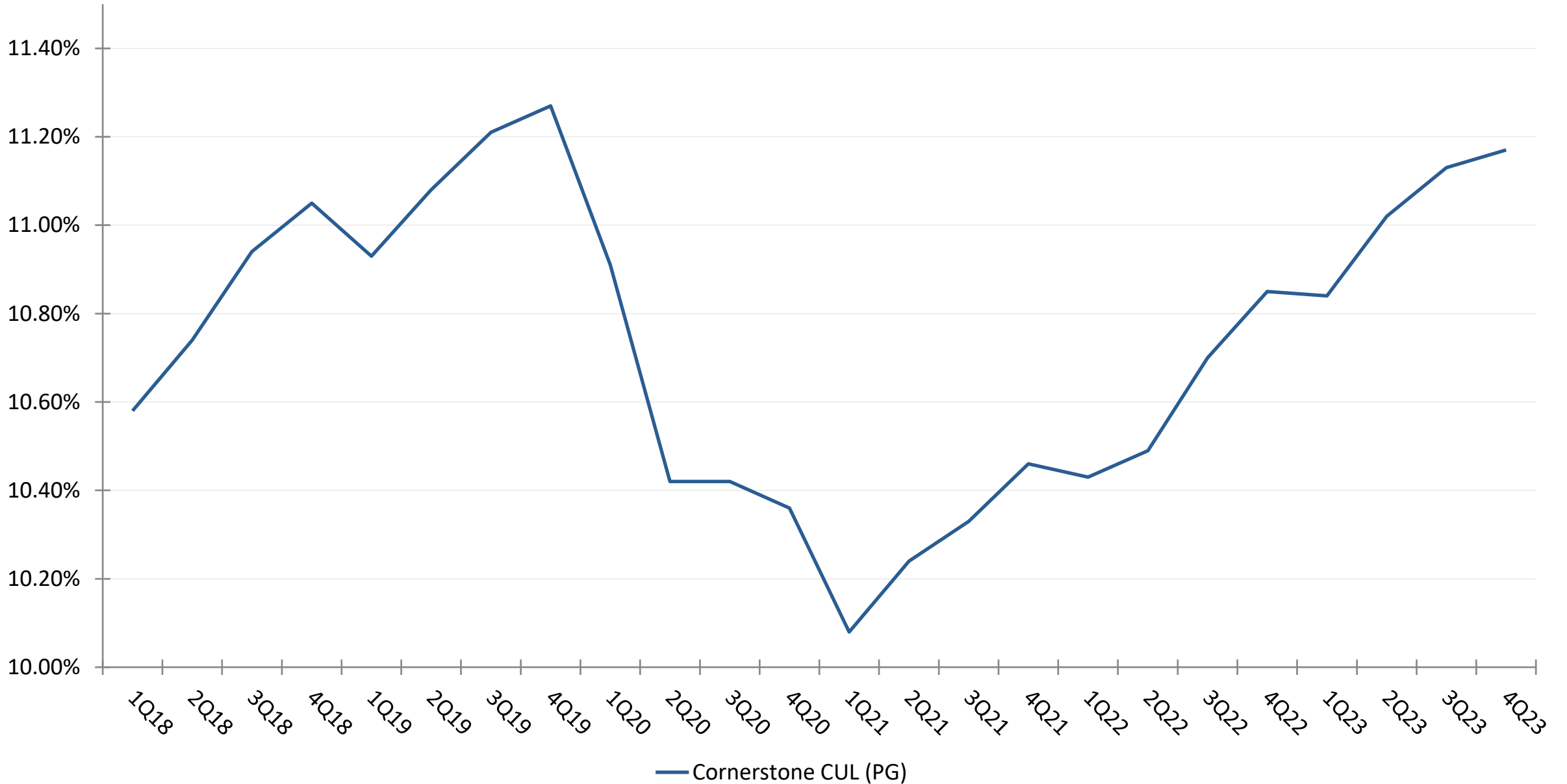
Faster growth; more long-term options.

# Return on Assets

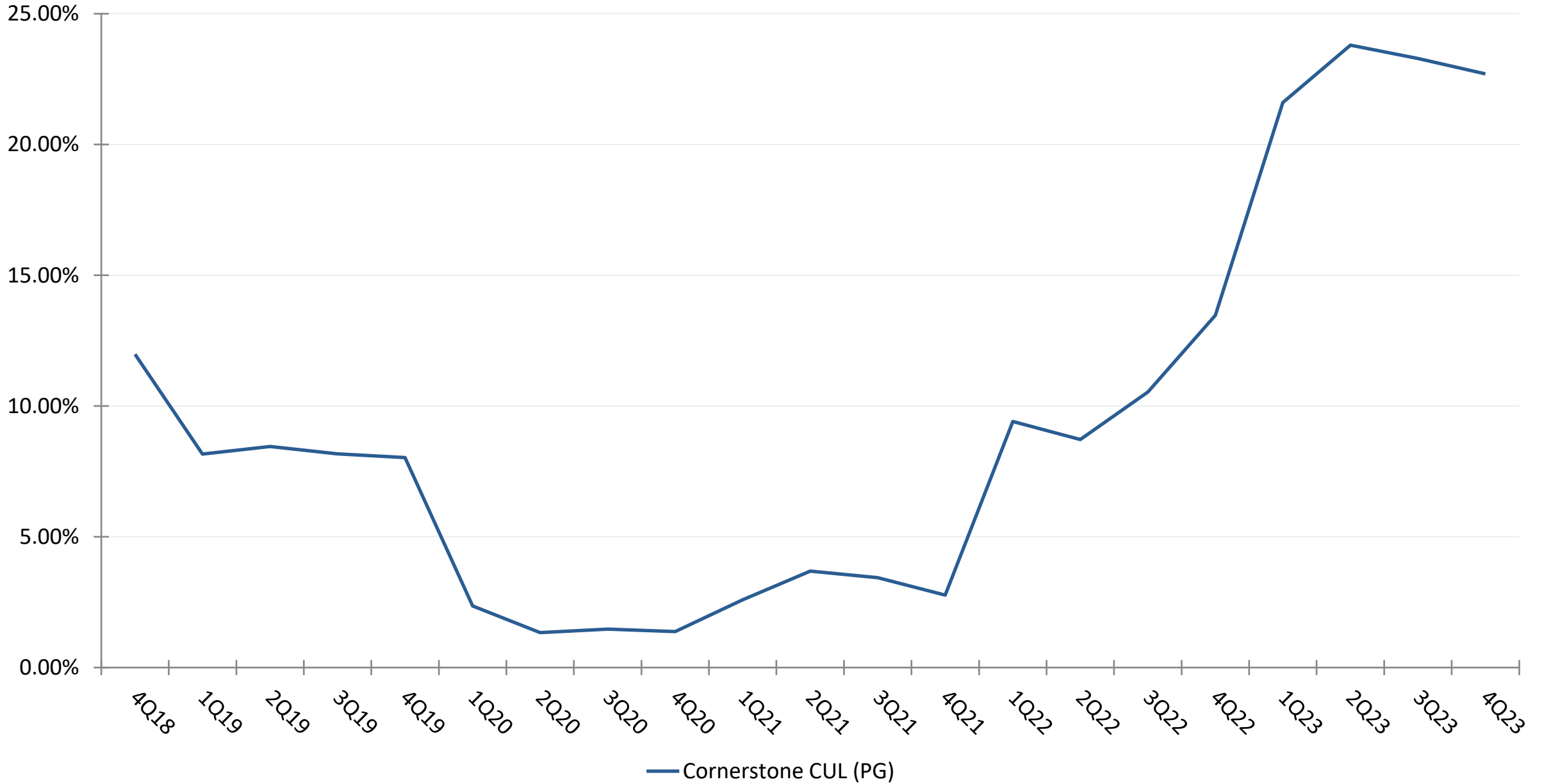




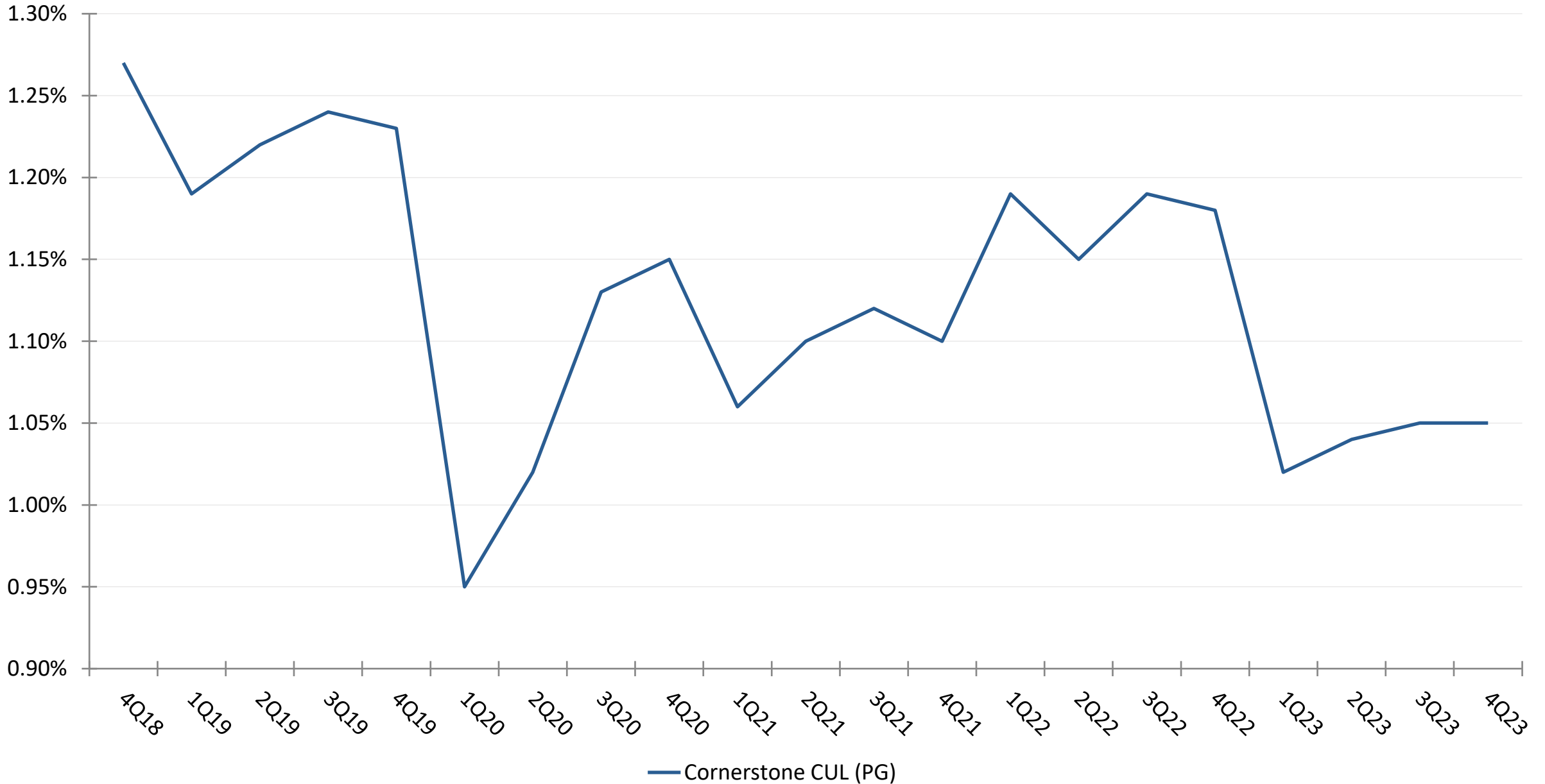
# Net Worth to Assets



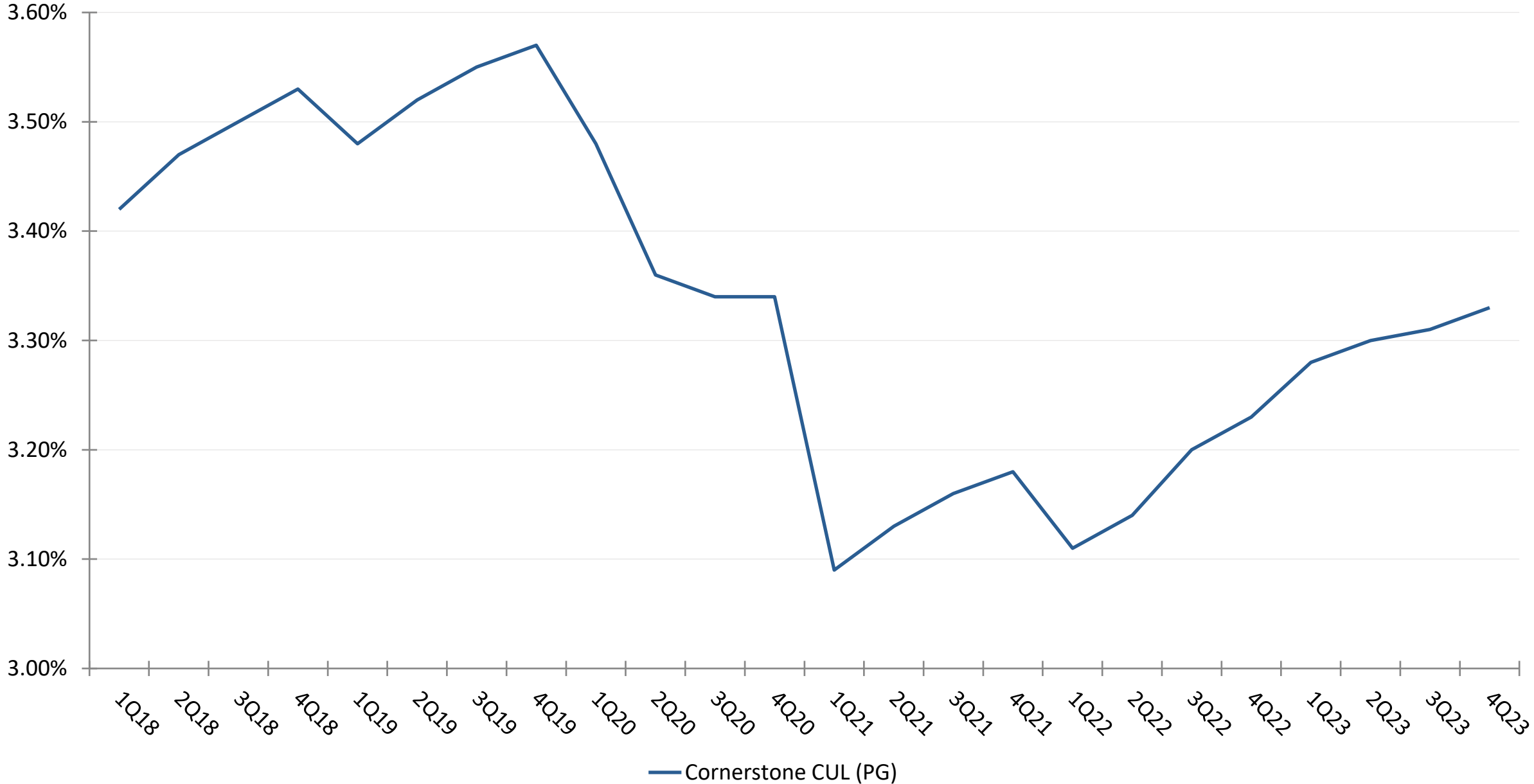
# Income Growth



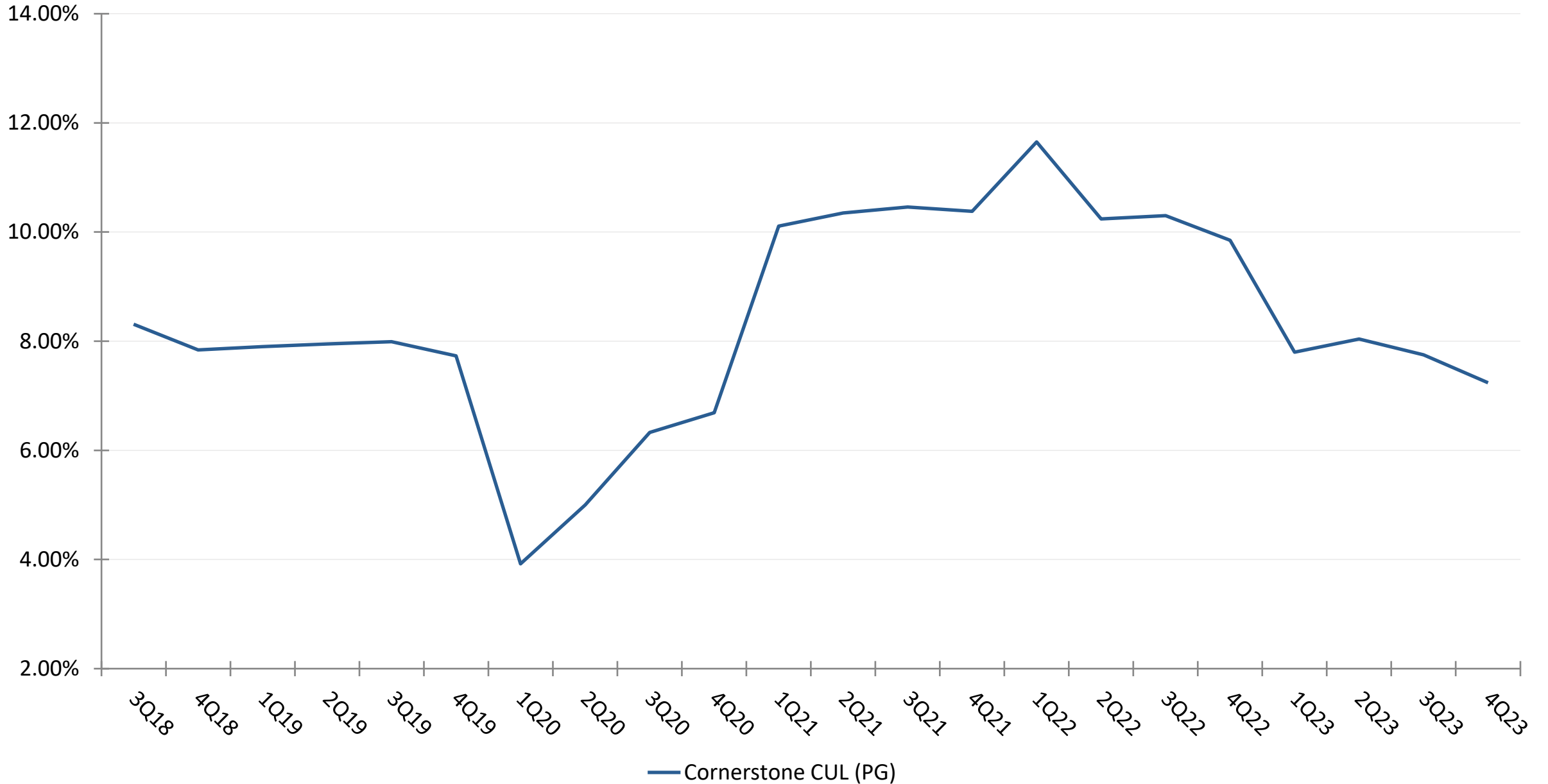
# Core Earnings Ratio



# Operating Expense Ratio



# Return on Equity



# Examples in Action



Partnerships

Outsourcing; automation; mergers.



Credit risk management.

Pricing; risk allocation; speed of growth/yield vs. loss.



Tenure of membership.

Long-term relationships are best predictor of lifetime financial value.

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# Questions to Ask

- New member growth, ages 25-45?
- Growth rate of spend/debit account penetration?
- Growth rate of mobile banking?
- Member tenure and retention ranges (1, 3, 5 years)?
- **Future for earnings, efficiency, and capital?**
- **New products, services, lines of business?**
- **New markets to serve? Delivery models for new markets?**
- **New partnerships and ventures: community; credit unions; CUSOs; businesses?**



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