

# Case study on bbva compass: marketing resource allocation

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What is the role of offline vs. online ads in generating new checking customers? Is the mix right? How about the weight of where the budget is allocated?

The role of offline advertising is to build brand awareness and improve consideration among potential customers to open new checking accounts (Gupta, 2012). Changing the name of the bank to BBVA Compass resulted into drop in brand awareness to 48% in 2009. Using offline advertisement would help the company to raise its brand awareness to 53%. The bank planned to achieve this growth through sponsoring WNBA, NBA, and ESPN. Through sponsorships, BBVA group planned to enhance its overall commitment to sports, which could help the bank identify with the values of teamwork, passion, and fair play inherent in both sports the company sponsored. According to the Gupta, 2012, the role of online advertising is to build online brand awareness in order to acquire new customers to open new checking accounts. The bank allocated about half of the online budget for acquiring new checking account customers (Gupta, 2012).

The mix is right for increasing the company's customer base. This is because after changing the name of the bank to BBVA Compass, brand awareness dropped to 48% and offline advertisement will get it up to 53% by 2010. Sponsorship of NBA and ESPN will increase brand awareness in the U. S. through broadcasting advertisement in primetime slots. Posting online advertisements has the probability of leading consumers to the bank's landing page (Smith & Zook, 2011). However, online advertisement is less effective for the company only 10% of online visitors who gets into the company's site start an application and less than 50% of those who start an

application actually complete it.

I am of the opinion that the 2010 budget allocation is not right because Exhibit 2 showed that free checking services and convenient bank locations scored more than online support. From the Gupta, 2012, only 5% of BBVA the firm's new checking accounts came from online channel compared to 95% (80% from branches and 15% from direct mail and telephone) that came from offline channel. As such, I think that the company should allocate more resources to offline advertising and improving customer services.

### **What are the acquisition costs and customer lifetime value of customers acquired through online channels?**

BBVA Compass aims to keep their cost of customer acquisition cost below \$200 per new account. The average annual retention rate of acquiring customers online is approximately 55%. The average cost of acquiring online checking customer is \$100.

### **Acquisition costs for online channels is \$1, 153, 000.**

CLV (Customer Lifetime Value)

$CLV = [(monthly\ profit) * (customer\ lifetime\ in\ months)] (acquisition\ costs)$

Customer lifetime in months =  $1 / monthly\ churn\ rate$

Total marketing cost = \$1, 153, 000

Total number of customers = 14, 316

Customer acquisition cost =  $1, 153, 000 / 14, 316 = \$80.5$

Monthly churn rate = 55%

CLV = \$4000

What do you think about the NBA/ESPN sponsorship deals? Is it worth it?

What are the pros and cons for the bank?

The NBA/ESPN sponsorship deal is not a bad idea for the company considering that they are planning to expand their operation in North America. Sponsoring deal with NBA would make the company the official bank for WNBA, NBA, and the NBA Development League in the U. S., Spain, and Puerto Rico (Gupta, 2012). The sponsorship will therefore help BBVA increase its customer base, as many customers in sports will consider the bank the best alternative. The sponsorship would help BBVA improve consideration among potential bank customers in the core markets such as Sunbelt region. The main advantage of the sponsorship is that it would help the bank identify with the values of teamwork, passion, and fair play intrinsic in both sports. Sponsorship would enable BBVA build a strong positive image. This will give the company a ground to promote its products to the growing number of sports fans who follow and watch games. The creation of a clear association helps create appeal to the bank's target audience and offering them a positive perception the name of the company by relating it with the sponsored teams.

NBA/ESPN sponsorship deals has the potential of generating product or service awareness because sponsorship creates a direct way the bank to relate with their consumers by actively supporting famous sports organizations. Sponsoring the games will also help the company generate positive publicity. Traditionally, BBVA targeted Mexican immigrants, but following the acquisition of Compass Bank and Guaranty Bank, it was appropriate for the bank to look for mainstream media to target the new target market. The main disadvantage of sponsorship is that it is expensive

and more time consuming.

Compare the role of display ads and search ads on the acquisition of new checking customers. Is the allocation between display and search appropriate? Would you change it? If so how?

The main disadvantage of traditional advertising is the reliance on guesswork (Jones, 2012). Companies spread out their advertising budgets across channels and wait to get new customers. However, the internet is useful as it provides a means of measuring response to advertisement campaigns. Many companies advertising online continue to struggle when making decision to either use display ads or search engine ads. Display advertising involves buying advertisement space on websites that the prospective customers of the bank are likely to visit. BBVA Compass places its banners within the relevant content areas in the targeted geography (Gupta, 2012). Paid search on the other hand involves buying keywords on the three main search engines, which include Google, Yahoo!, and Bing.

Considering the number of completed applications, I would contend that the allocation is appropriate. This is so because display advertising has the highest number of completed applications. Completed application for display ads is 7, 209 while that of search ads is 7, 107. However, consumer decision-making process for display ads is quite complex as consumers go through multiple exposures before opening an account. The company should increase its display advertising budget. However, the bank should change its strategy and increase search ads because they can translate directly into clicks and purchases by presenting the product to the customers at the exact moment when they are making purchases. Conversely, display ads are more visible

but are less likely to translate into direct clicks (Keller & Price, 2011). Display ads help raise brand awareness and can contribute to decision of a consumer to click on a search advertisement. Investing more on search ads would help BBVA increase impressions and high clicks per search.

## **References:**

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