An Experian perspective

Cracking the code on profitable online acquisitions with the empowered consumer

An Experian perspective
Today’s marketing conversations are dominated by technology, and it’s no different in the financial services sector. It’s the challenge of keeping up with consumer preferences and the quantum leaps they have taken in online engagement.

Clearly, financial institutions (FIs) understand the significance of the increase in consumer engagement in online banking. Sixty-eight percent of Internet users utilize online banking, and the numbers are only going to keep growing. The financial services industry is migrating advertising budgets to the digital sphere, with spending expected to increase 43 percent from 2012 to 2016 to $6.8 billion.¹

THE CHALLENGES TO PROSPECTING ONLINE

There is continuing ambiguity around the effectiveness of online prospecting and acquisitions efforts. What’s the most effective allocation of digital marketing dollars? How can an FI optimize ad spend and crack the elusive code to reach online prospects who will make it through a prime approval process? Or up-sell current customers into more lines of business? Is it possible to increase approval rates and provide a positive customer experience for those who ultimately must be declined? These are just some of the struggles financial services marketers encounter daily in the burgeoning digital world.

Combined with the reality of $200 cost per acquisitions (CPAs) and 7 percent approval rates, these challenges are compounded by matrixed organizational structures, lack of resources, and the overwhelming number of new tools, technologies and agencies entering the marketplace at turbo speed. And the intense attachment consumers have toward their phones, perceiving them as extensions of their psyche, has lenders running to play catch-up in the mobile space as well. Most importantly, the proliferation of channels and the explosion of social media have given the consumer a loud and influential voice.

¹Ipsos 2Q 2012 Mail Monitor Acquisition Report
EMBRACING THE EMPOWERED CONSUMER

Remember the age-old saying: “If your friends jumped off a cliff, would you?” One of many quotes in a parent’s quest to deter us from peer influence, and raise us an individual thinkers instead of followers. But today’s increasingly connected consumer, accepts recommendations from complete strangers. Reviews, likes, shares, stars and, yes, even followers can have Super Bowl TV commercial–like reach and impressions.

This consumer voice and their sea of connections make them feel more empowered than ever before. Lenders who embrace this change and give consumers ways to exercise that power will be the industry leaders in this new era.

But the future of online prospecting best practices is not just about addressing the growing use of technology or capitalizing on consumers’ connectivity. It’s simply about winning them over by engaging with them on their own terms. When we’re able to anticipate behavior and preferences, we have the opportunity to delight consumers in a remarkable way — one they’ll want to tell their friends and followers about.

THE ELUSIVE CHALLENGE OF PERSONALIZING ONLINE OFFERS

Engaging consumers on their own terms means personalization. Consumers love personalization. In many online and offline venues, they continually seek to become more heterogeneous. They expect custom, tailored offers. They expect to be put in the driver’s seat.

But financial services marketers face a unique problem in the online ad space. Since behavioral targeting based on click stream activities isn’t a sufficient predictor for the approvals process, generating personalized offers has been a challenge. Display ads just haven’t worked in financial services. No matter how well-researched the ad placements, interactions beyond the initial click are a scattershot for both the institution and the consumer, leading to low ROI and high CPAs.

And low approval rates are unacceptable on their own, but in this social environment it’s even more painful to acknowledge that some shoppers are walking away empty-handed, often with negative feelings toward your brand.

Marketing leaders in the industry have been seeking innovations to solve this problem. How do you gain greater visibility throughout the entire online acquisitions process? How do you tailor offers for individuals to optimize ad spend and reduce CPAs while creating a positive experience for everyone who clicks? How do you employ risk/targeting models to maximize profitability? And all of this without dropping reach?

“Lenders who give consumers ways to exercise their power will be the industry leaders in this new era.”
Enabling consumer empowerment is the next evolution of online advertising. The integration of credit screening into online marketing banners is key to promoting engagement and consumer empowerment. Credit screening can be embedded within the banner, providing a consumer with the power to tell a lender he or she is interested in seeing personalized credit options. This type of consumer-driven permission provides a lender with the ability to present credit options to some and noncredit options to others, leading to a positive shopping experience for all.

This is not a prescreen; it’s a prequalification of a consumer’s creditworthiness that allows lenders to present credit options the shopper is most likely to qualify for without posting a hard inquiry\(^2\) on a credit report. If the consumer doesn’t qualify for any existing credit products, the lender may provide an alternative option of opening a savings account or offer another secured/prepaid product. This way, the consumer never needs to experience a flat decline, softening the customer experience and engaging new customers with a noncredit offer. Lenders then can choose to market to their new, noncredit customers later with a credit product. Lenders also may opt for a credit education strategy, seeding a partnership for a future credit product.

This strategy is centered on consumer empowerment to address the high CPAs associated with sourcing accounts from the online channel. Historically, CPAs have exceeded $200 due to the adverse selection factor associated with prospects from this channel. But, with the addition of a credit screening process embedded into banner ads, consumers who do not meet your credit criteria can be redirected to noncredit offers and, therefore, are not funneled through the full application process.

\(^2\)Hard inquiry: when a person or organization requests your credit score and history, and they intend to make a lending decision/firm offer of credit.
EVERYONE WINS WITH CONSUMER CONSENT-BASED PERSONALIZATION

Nobody likes rejection, and this strategy ensures that the consumer never walks away empty-handed. The soft inquiry of consent-based prequalification has no impact on the consumer’s credit and results in a highly personalized process. For those who are offered a credit product, there’s an increased likelihood of approval once they apply. For those who can’t receive a credit offer, they can still come away with a valuable banking product that will help them grow in their financial life.

A recent study found that consumers are willing to be approached by their bank to learn about different products and services, yet the perception is that banks are slow to do so. This strategy is also growth-centric, laying the groundwork for ongoing engagement with satisfied customers who are waiting to hear from you.

SUCCESSFUL ONLINE ACQUISITIONS IN PRACTICE

Early adoption of this kind of strategy by the auto industry and progressive lenders is proving successful. They’re providing consumers with an opt-in credit evaluation embedded in online banner ads.

Similar to direct marketing, the process begins with profiling and targeting a segment using robust demographic and lifestyle data and attributes. For example, you can target males between 30 and 50 with an income of more than $50,000 a year who have a dog, a child and a tablet computer; have a VantageScore® ranging from 750 to 800; and live in a single-family home that was purchased a year ago.

The next step includes development of banner ads and content that resonates with your target audience. Don’t forget high-profile sites as part of your ad placement strategy because they are effective in sourcing new accounts. And be sure to include overt messaging reminding consumers that this personalization process will have no impact on their credit and that their offers will be tailored specifically to them. Put the consumer in the driver’s seat.

3BAI research study, 2012
This consumer segment is identified with an anonymous ID and matched to a giant cookie pool to target prospects online. A prequalification step pairs that anonymous prospect with options tailored to their needs and credit profile. This process is completely consumer consent-based and provides access to credit reports and scores to find the best credit fit before making a firm offer of credit. This approach differs from the norm in that it evaluates the individual’s consumer credit risk without a lengthy application and has no impact to his or her credit score.

**This brand of real-time consent results in:**
- Process completion rates of up to 40 percent
- Improved take rates of 15 percent to 60 percent (consumers take one or more prequalified options)
- Improved approval rates, since all consumers are prequalified prior to applying
- Better consumer experience overall

**FOUR STEPS TO OPTIMIZING YOUR ACQUISITION FRAMEWORK**

The framework for each lender’s customer empowerment process revolves around these four steps. But testing is always required to ensure that media optimization, ad messaging, and the positioning of credit and noncredit options results in obtaining the desired end customer.

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| **Web media plan** | - Identify target population  
- Develop media buy strategy  
- Optimize ad placement |
| **Embed credit screening** | - Empower consumers to select the best fit |
| **Down-sell strategy** | Determine soft decline method  
- Checking account  
- Credit education |
| **Review and enhance** | - Develop “give to get” messaging  
- Cross-sell opportunities  
- Keep offers competitive |

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THE NEXT EVOLUTION: INCREASE ROI AND EARN CONSUMER TRUST

The timing has never been better. The data is available, the technology is only getting better and consumers are yearning for a trusted, long-term relationship with a provider that handles one of their most important daily basic needs — their finances. Building loyalty and trust is a two-way relationship. Progressive FIs are learning what it means to be loyal to their customers in brand-new ways. The focus on customer experience, empowerment and transparency is paramount to building loyalty. In turn, FIs are realizing higher activation and usage rates that fuel portfolio growth.

Consumers in the multidimensional and complex online channel have increasingly little appetite for trial and error. This is the time to adhere to a proven framework for the next evolution in a powerful online acquisition strategy.

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Experian’s Prequalification is a powerful, consent-based credit-screening tool that allows you to prequalify consumers for credit in real time at the point of contact, without a firm offer of credit. This tool gives you access to individual credit data, empowering you to proactively match consumers to the products that best fit their needs and credit profile. And because Prequalification is a soft inquiry, it will never affect the consumer’s credit score.

Contact us to learn how Experian’s industry-leading credit and marketing information, expert analytics and consulting can help you identify profitable new customers, segment existing customers according to risk and opportunity, manage loan portfolios, and undertake effective collections actions while protecting by detecting and preventing fraud.

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