Cross-Selling Check-Up: Are You Effectively Timing Consumer Interactions?

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Timing is Everything – Especially When Cross-Selling

Cross-selling is the strategy of selling additional products to a customer who has already purchased, or signaled their intention to purchase, a product from your firm.

That's obvious—yet, deceptively simplistic. The devil is in the details.

Most financial institutions agree that cross-selling has become a prerequisite for organic growth. Many of the same institutions, however, confuse cross-selling with the most basic forms of direct marketing. For many marketers, having a customer's contact information is a license to promote any product at any time, with little or no indication of the recipient's potential interest in what's being promoted.

Catching a consumer during the precise window of opportunity is the "holy grail" of marketing. But selling at the right time is an Achilles heel for most marketers.

Careful examination of their so-called cross-selling campaigns reveals why most of the campaigns miss the mark. The initiatives de-emphasize or completely overlook what is perhaps the most important element of a well orchestrated cross-sell campaign: **timed consumer interaction.**

Catching a consumer during the precise window of opportunity — when that consumer has both a need and a propensity to activate — is ultimately the "holy grail" of marketing. But for most marketers, selling at the right time is an Achilles heel.

Recently I saw an apparently well-crafted cross-sell campaign. Its segmentation came from a best-in-class marketing database. The creative was top notch. The rate structure was perfectly honed. But the campaign's results were lackluster. Why? No one considered ***when*** each consumer would be most receptive to an offer.

To assure appropriately timed consumer interaction, savvy marketers are adopting trigger-based cross-sell marketing strategies. Implementation of credit, transaction and lifestyle "trigger" event processing gives marketers the ability to execute direct marketing campaigns in near real-time.

This article explores the importance of a well-crafted cross-sell strategy in your marketing plan and how trigger-based technology is giving strategic marketers competitive advantage.

The Case for Cross-Selling

Cross-selling should be a critical component of every marketer's growth and customer retention strategy. The intent of cross-selling is twofold. It is to:

1. Increase a customer's reliance on your firm, while decreasing the likelihood of your customer switching to a competitor.

2. Profitably extract the maximum revenue potential from a client, improving your top-line revenue and marketing ROI.

By quickly expanding on the original relationship, financial firms can improve retention and customer lifetime value metrics. Here are the facts:

- Almost three-fourths of cross-selling activity during the first two years of a new DDA relationship occurs within the first 90 days.[1] And for good reason: According to a BAI research brief, "The research data show that banks that touch their customers early and often in the relationship boast improved cross-selling results and lower attrition rates."[2]

- According to RPM Consulting, "Successful cross-selling and customer retention are highly correlated. For most institutions we have worked with, about 50% of single-service checking households are lost each year. The addition of a savings relationship improves retention to about 67%; and adding a loan relationship as well improves retention to 90% or more."[3]

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[1] Bank Administration Institute (BAI) presentation of findings of a member survey, "The Frontline Factor: An exploration of relationship-based strategies in retail financial services," October 14, 2004.

[2] BAI Research Brief, "The Ninety-Day Window of Opportunity," 2003, http://www.bai.org/pdf/Ninety_Days_Brief.pdf

[3] RPM Web site, http://home.earthlink.net/~rpminfonet/killer.html

- A.T. Kearney reports that, “A 5% increase in retention can increase profits from 25% to 85%.”[4]

It is also widely acknowledged that acquiring a new customer is seven times more expensive than to retain an existing customer.

How are marketers responding? They’re spending more on cross-selling. Direct marketing activity to acquire new customers has leveled off in favor of more aggressive cross-selling/ retention campaigns.

Consumers are highly aware of their choices and are increasingly spreading their business across multiple financial service providers.

Consumers have high awareness of the broad range of choices available to serve their financial needs and are increasingly spreading their business across multiple financial service providers. According to Wells Fargo, the average banking customer has 16 financial services products across all of their providers.[5] However, according to A.T. Kearney, the cross-sell ratio for U.S. financial institutions is only 2.1 financial products per customer.[6] Because banking customers fragment their business among several different providers, multi-category financial marketers are changing their focus from “market share” to “wallet share.”

Clearly, the most cost effective way for financial service marketers to impact top-line revenue is to more deeply penetrate opportunities within their existing customer base.

Pitfalls in the Road to Effective Cross-Selling

Though the value of cross-selling is apparent, attainment of the goal is often elusive. Marketers often overestimate the competitive advantage derived from their existing relationships with customers. Moreover, they overlook the importance of adhering to the basic marketing principle of “reaching the right customer, through the right channel, at the right time, with the right offer.”

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4 A.T. Kearney, Page 4, “Banks Shift Gears in Drive for Top-line Growth,” http://www.atkearney.com/shared_res/pdf/Banks_Shift_TopLineGrowth_S.pdf

5 Wells Fargo Web site, “Visions and Values” section, https://www.wellsfargo.com/invest_relations/vision_values/5

6 A.T. Kearney, Page 4 , “Banks Shift Gears in Drive for Top-line Growth,” http://www.atkearney.com/shared_res/pdf/Banks_Shift_TopLineGrowth_S.pdf

Cross-selling should be a by-product of building relationships with customers and recognizing their needs. That means marketers should first focus on deepening and strengthening relationships. In a survey conducted in 2004, Forum Corporation found that "consumers are open to sales pitches from customer service representatives, but only if the rep solves the customer's problem and is sensitive to the customer's needs." A Forum executive summed up the survey's extensive findings in four words: "Serve well, then sell."

With their drive to quickly expand the consumer relationship, financial marketers often mistakenly equate the "right time" component of the marketing doctrine with their timeline for making additional sales. They fail to see that "the right time" is truly a function of accurately identifying the window of sales opportunity as it relates to a consumer purchase signaling event.

Consequently, these marketers fail to achieve the promise of enhanced revenue and improved marketing ROI. Instead of seeking out new ways to identify customer needs, they use outmoded marketing tactics and "batch and blast" habits on their current customer base.

When customers respond to the marketing campaign, it's also wise to perform a real-time pre-screen. A pre-screen at the point-of-sale allows you to make pre-approved credit offers. It also prevents ill will by eliminating any chance of a negative customer experience due to a credit rejection of the actual sales offer. Pre-screen solutions can be deployed in the branch, through call centers or online.

With a little more effort, marketers can dramatically improve their results. The keys: First, gain real insight into the evolving behavior, lifestyle, and buying habits of existing customers. Then, impress and delight them by astutely transforming the insight into timely offers that correspond to emerging or imminent needs.

Make Timing an Integral Part of Your Cross-Selling Strategy

Consumer information providers can help marketers significantly improve cross-selling results through better timing. Information providers leverage their huge investments in data processing infrastructure to offer financial marketers a wide array of trigger-based lead generation services.

Considering the options available today, three generic types of triggering devices are used to identify consumers with a near-term propensity to acquire new credit–Behavior, Lifestyle and Credit Triggers.

Consumer data pertaining to behavior characteristics, primarily driven by transactional data, tend to require costly custom database environments supporting proprietary data. Lifestyle data, reflecting life-stage and relationship changes, tend to be compiled using suspect self-reported or slightly aged data.

Of the three, Credit Triggers have achieved the widest adoption. Driving the Credit Trigger boom is ease of access to "fresh" consumer data from the three nationwide credit bureaus. Credit data-driven triggers offer cost-effective options for profiling, segmentation and decisioning in conjunction with industry standard pre-screened list fulfillment and portfolio review projects.

Credit Triggers use data from a consumer credit file to identify recent credit activity and trends that are predictive of future purchasing behavior and near-term credit needs. Within this category, two types of credit triggers are commonly utilized.

1. *Event Triggers* are the most prevalent Credit Trigger type, leveraging credit inquiries, new trade lines or loan maturation events as key predictors of future behavior. The most simplistic example, a new mortgage inquiry on a consumer file within the past 24 hours, is highly predictive of someone with a propensity to open up a mortgage within the next 90 days. In fact, 19.69% of all consumers with a mortgage inquiry on their file will open up a new mortgage in the three months following the month of the original inquiry.

   Other examples of Event Triggers:

   - An auto lease with an expiration set for within six months identifies consumers with a 26.28% propensity to open up a new auto trade line within 90 days.

   - A new personal finance trade line inquiry identifies consumers with a 19.43% propensity to open an additional personal finance line of credit within 90 days.

2. *Predictive Triggers* are an emerging category of Credit Triggers, identifying consumer prospects based on multi-attribute, criteria driven profiles of known activators. Predictive Trigger effectiveness stems from the ability to identify consumers with a near-term propensity to activate, without utilizing a purchase signaling event such as a "new inquiry."

   By example, home equity Predictive Triggers identify candidates as they meet specific attribute thresholds involving ratio balance to loan amount on open mortgage trades, balance on installment trades, and utilization on open revolving trades. Consumers meeting these criteria, research shows, have a 6.76% propensity to open a new home equity line within 90 days (3x a traditional pre-screened population). Without relying on a consumer initiated action, such as a new home equity inquiry, consumers can be identified and solicited prior to the point in time when they are actively shopping. This allows the financial marketer ample time to develop the relationship, position the offer and reinforce the message through an appropriately timed multi-channel marketing program.

How It Works: A Real-World Example

Record annual direct mail volume is driving historically low response rates.

In an industry climate where record annual direct mail volume is driving direct marketing response rates to historical lows, a national financial services marketer was struggling to achieve profitable returns on their investments in direct marketing.

The marketer sought a competitive advantage, measured by improved response and account open rates. Achieving this goal called for a solution that went beyond the marketer's traditional credit pre-screen strategy, which was driven by custom criteria, scores and response models.

Exhausting all traditional means of program enhancement, this firm employed the latest form of triggered lead generation–predictive triggers.

Predictive triggers identify consumers with a statistical propensity to open new credit based on a consumer's emergence within a criteria-driven consumer profile that corresponds to known credit activators.

With predictive triggers, financial service marketers are able to identify a potential credit acquirer as the consumer emerges within the profile of a near-term activator, prior to the consumer taking positive action toward inquiring into new credit. In this case, to validate the effectiveness of predictive triggers, this growth-focused marketer engaged in a champion-challenger test, running one direct marketing program with their traditional "pre-screen only" strategy and a second direct marketing program with a pre-screen input list derived from predictive triggers.

	Traditional Pre-Screen List Generation	**Predictive Trigger-Based List Generation**
Campaign Volume	30,000	30,000
Response Rate	.53%	.83%
Response Volume	159	249
Activation Rate	87.50%	85%
Effective Activation Rate	.46%	.70%
Activation Volume	139	210
List-Only – Cost per Activation	$21.35	$18.14

The gap in results exceeded the marketer's expectations. The consumers identified by the predictive trigger substantially outperformed the control population, yielding remarkable improvements in response, activation, and campaign return-on-investment.

Increase in Response Rates	56%
Increase in Effective Activation Rate	52%
Estimated Increase in Campaign ROI	17%

Conclusion

Credit, behavioral and lifestyle-based triggers are emerging as the weapon of choice among direct marketers with high impact cross-sell strategies. To combat declining industry response rates, raise campaign profitability, and to meet their growth goals, savvy marketers are increasing their focus on timed consumer interaction.

With 5+ billion pieces of direct mail blanketing U.S. consumers each year, marketers can no longer afford undisciplined "blast marketing" approaches. Reaching the right customer, at the right time, through the right channel, with the right offer is a must for those required to justify direct marketing expenditures and realize the full potential of their cross-sell strategy.

Marketers who integrate event-based and trigger technology into cross-sell strategies will ultimately reap significant rewards.

Market research has indicated that marketers will place an increased emphasis on event-triggering over the next five years. Marketers who are able to integrate event-based and trigger technology into their cross-sell strategy will ultimately reap significant rewards. They will vastly improve cross-sell response rates in spite of a challenging direct marketing climate.

Contact Information

Equifax Inc. is a global leader in information technology that enables and secures global commerce with consumers and businesses. We are one of the largest sources of consumer and commercial data. Utilizing our databases, advanced analytics and proprietary enabling technology, we provide real-time answers for our customers. This innovative ability to transform information into intelligence is valued by customers across a wide range of industries and markets.

Headquartered in Atlanta, Georgia, Equifax employs approximately 4,700 people in 13 countries throughout North America, Latin America and Europe. Equifax was founded 107 years ago, and today is a member of Standard & Poor's (S&P) 500® Index. Our common stock is traded on the New York Stock Exchange under the symbol EFX.

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Equifax Inc.
1550 Peachtree Street, NW
Atlanta, Georgia 30309
www.equifax.com
1-800-879-1025

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