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Information Services

WHITE PAPER

LOYALTY ASSURANCE…

How to Leverage Credit Inquiry Programs to Improve Retention

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Introduction

Inside CRM reports that acquiring new customers can cost five times more than retaining current customers. At the same time, a two percent increase in customer retention has the same bottom-line effect as cutting costs by 10 percent. As a result, companies are struggling with one question: How do they keep and expand relationships with existing customers?

Obviously the best way to improve customer retention is to ensure customers never leave in the first place. But customer "churn" happens, and having a process in place to identify and recover lost customers is vital to a company's profitability.

This is where loyalty programs come in. Loyalty programs can achieve the following important objectives:

- Improve customer retention
- Facilitate cross-sell opportunities
- Provide additional contact with customers
- Maintain company brand awareness

Proactive Loyalty Programs

There are several marketing methods that proactively keep products or services foremost in the minds of customers. Airline frequent flyer programs and credit card "point" programs are examples of opt-in loyalty programs designed to elicit repeat business.

Successful companies also leverage their existing customer file to facilitate consistent communication and maintain company brand awareness. For example, many insurance and mortgage organizations use periodic newsletters to keep their customers abreast of industry news and new products.

Auto dealers utilize free oil changes and car washes to drive traffic to their showroom in an effort to keep their customers in the fold. What better way to show off their latest vehicles then to give their customers an excuse to kick the tires?

Reactive Loyalty Programs

In a perfect world, organizations would know when their customer is ready to shop for another product or service, enabling them to react with the right offer at the right time. While this behavior is often difficult to predict, there are some tools that can help identify customers entering the market.

In the financial services industry, companies can monitor their portfolio to identify refinance or cross-sell opportunities by cross-referencing current market conditions and customer loan attributes. They can also track customer behavior using life event triggers to help them identify those who may be coming into the market.

Additionally, organizations can identify customers actively seeking information on the products in their portfolio by monitoring online data, such as web site traffic.

Credit Inquiry Programs

Credit inquiry programs give organizations the ability to identify customers who are actively seeking a wide variety of financial services. Marketers who leverage this type of credit information as part of their retention strategy gain the unique ability to reach customers who may be defecting to their competition in near real time.

Here's how it works. When a customer applies for credit, an inquiry is posted to his or her credit report. These inquiries are categorized according to the type of financial product the consumer is seeking: mortgage, auto loan, installment loan, bank card or insurance. As part of the Fair Credit Reporting Act (FCRA), credit bureaus allow organizations to target consumers based on this inquiry information when they are extending a firm offer of credit or insurance.

Reactive credit inquiry programs are typically executed by cross-referencing a customer database with credit information. Marketers with permissible purpose (i.e., those making a firm offer of credit or insurance as mandated by the FCRA) can select which category(ies) of inquiry(ies) they wish to target (i.e., mortgage, auto loan, bank card, etc.). As a customer database is cross-referenced with these inquiries, a "lead" is triggered any time one of them appears on a customer's credit file. These leads are then prescreened using pre-established qualification criteria (which may include any number of attributes, including credit score, debt load, etc.) and output for use. There is typically a 24-48 hour lag time between the date of the inquiry and the delivery of the lead.

Speed is the name of the game with this type of marketing initiative, as there is a very narrow timeline between identifying and meeting these customers' needs.

As a result, it is vital that organizations deliver their message shortly after receiving the lead, to ensure optimal campaign performance. This type of program requires a firm offer of credit or insurance as mandated by the FCRA.

A credit inquiry program can be used to achieve two important marketing objectives:

Increase Customer Lifetime Value through Targeted Cross-Selling

Credit inquiry programs provide marketers with a powerful way to cross-sell additional products and services. By segmenting credit activity by the ***type*** of inquiry, financial services marketers can identify sales opportunities for ***incremental*** products and services *at the exact moment a need has been identified*. For example, credit unions and banks can cross-reference their checking and savings account holders with mortgage, auto, bank card and installment inquiries, identifying a wide variety of opportunities to sell additional products and services. Mortgage companies can leverage installment and bank card inquiries to identify debt consolidation and/or home equity candidates. Insurers can utilize auto and mortgage inquiries to identify auto and homeowner's insurance prospects.

Marketers who leverage this type of retention strategy will typically achieve higher response and conversion rates than what they see on traditional acquisition campaigns, as brand awareness and trust has already been established.

The cross-sale of incremental products and services not only increases the lifetime value of a customer base, it also improves retention. The more products and services a customer purchases from an organization, the ***less*** likely they are to defect to the competition.

Reduce Customer Attrition/Churn

Credit inquiry programs enable marketers to deliver a firm offer of credit or insurance ***at the very moment customers are considering competitive offers***, giving them the unparalleled opportunity to safeguard their customer base from attrition. This type of retention strategy allows companies to leverage their previous relationships to "save" customers before they are lost to a competitor.

A Tri-Bureau Credit Inquiry Program

While credit inquiry programs can be executed using inquiries from a *single* credit bureau, marketers can maximize the number of hits by leveraging all three bureaus. While companies may have a preference for a specific bureau, it is important to understand that customers may be shopping with a company that uses a different bureau. The only way to ensure this type of inquiry is captured is to utilize a program with a tri-bureau capability.

Case Study

Challenge

Facing a challenging marketing environment, a national mortgage lender was looking for new ideas to support its customer retention goals. The company's existing program used internal models to predict when customers were in the market for a refinance loan. While the program was effective, the lender was looking for an even better method of identifying customers who were actively seeking financing products.

Solution

Tranzact Information Services LLC (Tranzact IS) introduced the customer to its Loyalty Assurance program. This program matched the lender's customer file to active credit files on a daily basis and delivered names that both contained a recent inquiry and met its prescreen underwriting criteria.

As an agent of all three major credit bureaus, Tranzact IS was able to maximize the universe of available leads. Tranzact IS was also able to ensure that the program followed all compliance guidelines.

Results

The lender improved its "save" rate by 300% over a 3-month period using Tranzact IS' Loyalty Assurance program. The company was also able to garner valuable information about customer behavior in response to market conditions.

The program's success was directly attributed to the timing of the offers. Providing the right message to the right customer at the right time is critical to the success of customer marketing programs.

Summary

Tranzact IS' Loyalty Assurance program helps organizations improve retention by providing:

- Timely delivery of "in-the-market" customers
- The largest universe of leads
- A fully compliant solution

Contact Information

Tranzact Information Services LLC helps marketers improve their acquisition, cross-sell, and retention programs by optimizing their marketing data. The Company provides easy and flexible access to an extensive universe of multi-sourced data, including credit information from all three credit bureaus, public and property records, home valuations, and demographic and behavioral information. Tranzact Information Services LLC leverages this information to provide unique prospect data sets, universe lift, and optimization techniques that help marketers improve ROI.

Tranzact Information Services LLC
301 Yamato Road, Suite 4150
Boca Raton, Florida 33431
1-888-707-7600
www.tranzactis.com