INSIGHT GUIDE

Meet Them Where They Are: Strategies for Effective Customer Acquisition and Expansion

TransUnion

Like most businesses, financial services organizations rely on a steady pipeline of new relationships to hit productivity targets and maintain forward momentum. Acquiring and retaining customers is an ongoing effort requiring marketers to lean into various types of headwinds to make progress. And with new customer acquisition costing five to seven times that of retaining existing customers,[1] relationship deepening and expansion become even more critical for sustained profitability. It's complex and expensive, and in today's turbulent market, changes in the economy can influence corporate priorities, often pressuring marketers to prioritize short-term results at the expense of long-term goals and do more with less.

It's widely held that the most successful marketing organizations are those that strike a healthy balance between short-term, performance-driven campaigns, and long-term, brand building initiatives. It therefore stands to reason that a well-balanced data strategy centered on the customer, and active across the entire marketing funnel, is an effective way to address the challenges brought on by the shifting forces of the economy, consumer behavior, data deprecation, regulatory requirements, and so on. While this may sound logical, developing and activating full-funnel acquisition and engagement strategies appears to fly in the face of a more frugal approach due to the time and resources investment required to do so successfully. Without valuable insights from the right data and technology infrastructure, it could stymie even the most resourceful marketeers.

As you start to think about how to feed your acquisition pipeline and expand existing customer relationships while meeting your other goals this year and into 2024 and beyond, **doubling down on targeting and conversions may boost acquisition, retention and expansion — and increase ROI.**

[1] *Customer Retention Versus Customer Acquisition (forbes.com)*

To improve targeting – know your audience

Targeting, the act of attempting to appeal to a person or group or influence them in some way,[2] is essentially an efficiency exercise. The closer you get to the bullseye — the target prospect or customer — the greater the reward.

The pandemic accelerated adoption of ecommerce three-fold in the US,[3] and consumers are more connected than ever. They have high expectations and demand better, faster, more relevant experiences. They also have a plethora of lending options to choose from and competition for their business is intense. The provider that hits closest to home with the right offer at the right time in the right place usually wins the customer.

"Customer acquisition is all about matching prospects with relevant experiences... Without the right data and tech infrastructure, it's just a costly game of chance."

- Joe Pagano, Vice President, Marketing Solutions Consulting, TransUnion

[2] *Targeting definition and meaning | Collins English Dictionary (collinsdictionary.com)*
[3] *How e-commerce share of retail soared across the globe: A look at eight countries (mckinsey.com)*

Create identity-based “bullseye” experiences

Identifying consumers across channels and platforms enables better marketing strategies and outcomes, and the key to creating timely, personalized interactions is hidden within the information available about each person: their data identity. The more you know about a consumer, the closer — and more relevant — you can get.

Augmenting prospect and customer data with trended credit and alternative data provides a deep and persistent understanding of an individual: who they are, what they do, and how, where and when they do it. These robust and holistic identities form the foundation for reliably effective insights, audiences, activation and measurement.

With your data fortified, the next step is building high-value audiences based on facets of identity, particularly credit-informed and behavioral attributes. Using data-driven insights to target specific, qualified attributes and behaviors, enables deeper levels of segmentation and the ability to expand the addressable market. Syndicating those audiences across all marketing channels creates consistency at scale.

Taking aim: Targeting debt consolidators

A recent TransUnion study suggested debt consolidators could be an attractive target for lenders as they perform better, on average, than consumers not taking steps to consolidate debt.[4]

73%

of credit card consolidators are in prime and above risk tiers

62%

of unsecured personal loan refinancers are below prime[5]

55%

of non-debt consolidators are below prime

- Consolidators’ balances are, on average, more than double that of refinancers and non-consolidators.
- After the first 24 months of consolidation, consolidators, on average, build up balances back to their original bankcard balances, with prime and near prime tiers passing up their prior totals. Refinancer and non-consolidator balances typically exceed their prior balances.
- Both consolidators and refinancers have lower delinquencies, and consolidators typically improve their credit scores.

To effectively pursue this market, key credit attributes can be useful for targeting consumers highly likely to consolidate their debt. Non-credit-based marketing data can be used to help tailor offers and messaging to identified prospects. And when correctly applied, insights from credit and marketing data can lead to better-informed prescreen strategies, as well as stronger approaches to underwriting and messaging more apt to resonate.

[4] *All findings cited below are from a 2023 analysis of the TransUnion US consumer credit base*

[5] *VantageScore® 4.0 risk ranges: Subprime = 300–600, Near prime = 601–660, Prime = 661–720, Prime plus = 721–780, Super prime = 781+*

Overcome data obstacles

Financial institutions have access to more data than they know what to do with. This data is usually stored in many different places and isn't always accessible or connected to how marketing strategies are developed and deployed. Without the ability to derive and connect insights to the audience development and activation process, the data lacks the actionability necessary to operationalize your targeting strategy. It's essentially useless.

To get your data house in order and maintain alignment with corporate priorities, start with your organization's business objectives and work your way through the questions most successful marketing organizations are asking themselves today:

1. **What does success look like for the company?**
2. **How do we align our marketing strategy to support those objectives?**
3. **What are the most suitable KPIs to measure the effectiveness of our campaigns?**
4. **What data and analytical capabilities do we need to calculate those KPIs?**
5. **Which are the best data and tech partners to make it happen?**

To improve conversions – meet them where they are

Consumers expect to engage with their financial institutions in real time and on their terms, including when they see and accept an offer. The easier and more convenient it is to accept, the faster the process can go. Below are a series of tips to help drive conversion rates.

Present the right offer to the right consumer at the right time

- ***Incorporate trended credit or alternative data.*** Time-series or other non-traditional credit data can help you understand consumer behaviors over time and create relevant, personalized offers.

- ***Remove potential fraud accounts.*** Identity and fraud data can help screen for synthetic identities and other fraud risks, even within an existing customer base.

- ***Activate** offers when and where consumers are active.* Use behavioral information, including device usage data, to identify the ideal time and place for presentment.

- ***Lean on your partners.*** Data and technology partners like TransUnion are equipped to help lenders incorporate the latest and most sophisticated offerings while working together to achieve relevant goals. For one financial institution, leveraging data for audience segmentation helped increase conversions 282% by reallocating spend to higher performing audiences.[6]

Create urgency

- ***Clearly and immediately identify*** the motivating qualities and benefits your offer provides to the consumer. For example: Call out payment savings, interest savings or purchasing power in large, bold font.

- ***Incorporate an incentive*** or discount for accepting the offer. For example: Offer cash back to consumers who refinance their loans with you.

[6] *TransUnion research and analysis*

Make it easy to accept

- ***Try to stay one click away.*** Presentment via digital channels should command priority, but front-line service staff also needs to be able to discuss and fulfill offers to increase awareness and acceptance rates. In addition to an omnichannel approach, the utilization of in-app push notifications, QR codes, text messaging, outbound calling campaigns and other similar, follow-up tactics also contribute to greater success rates.
- ***Stay in front of the consumer.*** Present as many specifics about the offer as possible and ensure marketing messaging aligns with the intent of the offer.
- ***Look for integrated solutions*** that help with processing on the backend. Integrations with loan origination or core platforms improve customer experiences and reduce manual entry or back-office processing, increasing campaign ROI.

Test, learn, adapt, repeat

- ***Improve ROI*** by continuously measuring and adjusting tactics to perform incrementally better.

Invest in upper funnel activities

Reaching people already favorable to a brand with relevant calls to action can help reduce the overall cost of customer acquisition (CAC) and yield additional benefits. Upper funnel activities can help brands take important first steps toward favorability by creating familiarity and building trust. Here are a couple of examples:

- **Brand campaigns:** Ally Financial recently ran a large branding campaign and working with TransUnion, was able to determine brand tactics had a role in driving around 70% of its account acquisitions. In addition to boosting brand favorability, further analysis demonstrated the campaign increased conversions and reduced cost per acquisition by 87%.[7]

- **Outbound calling:** The personal, high-touch nature of voice calls provides a way to build favorability by improving customer engagement. Furnishing the verification and information consumers need to pick up the phone — for example, digitally signing calls to prevent spoofing and adding visual context like your brand and optimized caller names to their displays — help build familiarity and trust, and can increase incremental income by up to 32%.[8]

[7] *Why Ally Financial Banks On A Mix of Brand And Performance Marketing | AdExchanger*
[8] *New Technology: The Projected Total Economic Impact™ of Neustar Trusted Call Solutions, Forrester*

Work with the right partners

Your data partner plays a vital role in achieving your goals with the most sophisticated data assets. Ensuring they align with your corporate priorities and acquisition strategy can help optimize results. Key features to seek out include:

- ***Unified identity:*** Look for partners that can help you validate the accuracy of your data and connect the dots between online and offline identity for all customers and prospects
- ***Audience building:*** Team up with partners that can help you develop rich and responsive audience segments rooted in credit-informed data and expandable across a wide range of other key consumer dimensions
- ***Advanced analytics:*** Get a view of campaign performance from your measurement and attribution partners that cuts across all channels and accounts for short- and long-term, marketing and non-marketing effects
- ***Interoperability:*** Select martech solutions that are interoperable and can help you build a consistent data and technology backbone to support all your marketing activities
- ***Media activation:*** Demand speed, transparency and brand safety from your media and activation partners across all channels you use
- ***Privacy and security:*** Only work with partners that help you meet and exceed your data security and privacy obligations

Do not stop marketing

No matter the economic climate, lenders must maintain a brand presence to continue growing and effectively reach the right consumers in the right channels — which may ultimately save on acquisition costs. Financial institutions that scale back marketing during a downturn, risk losing brand awareness and equity. In the short term, companies lose share of voice and it can take up to three years to catch up once the market recovers.[9]

A downturn is also an opportunity to focus resources on cross- or upselling existing customers. This is a time when debt consolidation, credit card balance transfers and home equity lines of credit can be prioritized, supported by enterprise-level branding campaigns that show empathy and engage consumer trust.

[9] *Prioritising budgets when marketing in a recession (kantar.com)*

Opportunity hides in plain sight

Lenders continue to face challenging economic conditions, competitive pressures and increased risks — largely stemming from the pandemic. For instance:

- Inflation, which has been a top global concern for the last 16 months,[10] continues to be one of the top three financial concerns for 79% of US consumers[11]
- Consumer delinquencies remain a concern for most financial sectors. As of Q2 2023, serious consumer-level delinquency rates remained significantly elevated as compared to their Q2 2019 levels for auto, bankcard and unsecured personal loans[12]
- Consumer savings are dwindling due to record level spend downs since the pandemic[13]

And yet, 57% of Americans are optimistic about their household finances in the next 12 months, with 32% of consumers planning to apply for new, or refinance existing credit in the coming year.[14] With bankcard originations and balances at elevated levels (19M originations in Q1 2023 and nearly $963B in balances as of Q2 2023[15]), demand for debt consolidation, personal loan refinancing and other personal loans, such as for home improvement, is on the rise.

Another untapped opportunity is the approximately 19 million US consumers who are un- or underbanked.[16] When applied to risk decisioning, trended credit and alternative data, such as short-term loans, rental payment tradelines and utility bill payments, identify more consumers who meet risk profiles, and contain the insights lenders need to confidently extend access to new and emerging credit consumers who want and need it to improve their lives. And according to TransUnion Head of Global Research Charlie Wise, these individuals are "hungry for credit and will show loyalty to those financial institutions that offer them their first credit accounts."[17]

[10] *What Worries the World – July 2023 | Ipsos*
[11] *Consumer Pulse Q2 2023 (transunion.com)*
[12] *TransUnion consumer credit database*
[13] *U.S. Bureau of Economic Analysis, Personal Saving Rate [PSAVERT], retrieved from FRED, Federal Reserve Bank of St. Louis*
[14] *Consumer Pulse Q2 2023 (transunion.com)*
[15] *TransUnion US consumer credit database*
[16] *FDIC national survey findings*
[17] *Empowering Credit Inclusion: A Deeper Perspective on New-to-Credit Consumers | TransUnion*

Final thoughts

Focusing your marketing budget on the highest yield, strategy-aligned initiatives will get you farther, faster. Investing in the right marketing data and technology can optimize your spend and help keep your aim on your target by enabling you to:

- Ensure a single, robust source of truth with enriched marketing data
- Reach targeted consumers across channels by connecting offline, first-party data with digital identity data
- Build high-potential audiences based on past performances and other insights from the marketing technology stack
- Accelerate and increase conversions by leveraging data and technology to make it desirable and easy for consumers to engage with you
- Optimize performance by continually analyzing tactical performance, applying learnings, and adjusting outreach strategies

Contact your TransUnion representative or visit transunion.com/truaudience to learn more ways to improve your customer acquisition and expansion efforts.