Super Models: Using Analytics to Increase Sales

Fulcrum Analytics’ CRM solutions helped a Large Banking Client (“LBC”) increase sales of its online banking products by improving customer response and reducing cost of acquisition.

Moving Customers Online

LBC is one of the 15 largest banks in the United States. Its products include retail banking, wholesale banking and asset management. The bank comprises numerous subsidiary banks and nearly 100 nonbank subsidiaries.

LBC wanted to increase adoption of its online banking products by its existing customers. The bank called on Fulcrum Analytics to provide a solution that would enable the bank to increase online activity and sales while reducing the cost of acquisition.

A direct mail marketing campaign is expensive to produce: the cost of acquisition is usually very high, and the customer response rate quite low. Historically, a response rate of 1%–2% has been considered successful. LBC did not have previous experience with direct mail marketing of its online products and services, and wanted to make the best use of a limited marketing budget.

LBC’s goals were to increase online product sales and minimize cost of acquisition. By converting its customer data into customer intelligence, LBC would be able to target high-value customers likely to respond to the online product offer and achieve its business objectives.

Identifying the Right Customers to Target

Fulcrum Analytics’ statistical analysts evaluated LBC’s customer database to identify the most significant characteristics among customers who had already adopted the online banking product. Based on these criteria, the analysts developed Propensity Models identifying offline customers who closely matched these criteria and would be most likely to accept the online product offer. The analysts worked closely with LBC staff throughout this process, without any interruption of LBC’s normal business operations.

Fulcrum Analytics put together an initial campaign mailing in the first quarter of 2000 to a representative sample of LBC’s customer base. The online product offer came in two formats, letter and postcard. Most of the customers in this initial campaign had been selected through the Propensity Model, but a percentage had been chosen without analysis. By marketing to both targeted and untargeted groups, the bank could measure the effectiveness of the models and compare the performance of the two offer formats.

Success

The targeted campaign reduced the bank’s cost of acquisition by over 80%. In addition to executing the campaign for one-fifth of the cost of LBC’s typical direct mail campaigns, the bank saw customer response rates increase dramatically, as summarized below:

<table>
<thead>
<tr>
<th>Customer Response Rate</th>
<th>Acquisition Cost per Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Postcard</td>
</tr>
<tr>
<td>Untargeted Mailing</td>
<td>1.2%</td>
</tr>
<tr>
<td>Targeted Mailing</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

Building on the success of this initial campaign, Fulcrum Analytics made recommendations for implementation of the campaign to the entire customer base. The bank then implemented the full-scale campaign based on the Propensity Models and is achieving remarkable results. LBC is continuing to work with Fulcrum Analytics to optimize marketing effectiveness, producing bottom-line results through superior customer intelligence.
About Fulcrum Analytics

Fulcrum Analytics provides customer intelligence technology and services to help clients improve return on marketing investments. The company collects and analyzes enterprise customer data, providing clients with the data management and analysis tools they need to identify and retain their most valuable customers and increase the effectiveness of customer relationship management (CRM) systems. The company was formerly known as Cyber Dialogue.

Fulcrum Analytics offers a modular solution combining technology tools and the expertise of statistical data mining analysts and marketing operations professionals. The company serves clients at all stages of CRM development: whether building and managing customer databases from the ground up or analyzing customer data within clients’ existing databases, Fulcrum Analytics helps companies extract greater value from their customers and improve marketing performance.

The guiding business premise of Fulcrum Analytics is that successful marketing requires the practical application of technology to traditional marketing activities. The company’s step-by-step approach responds to the deep frustration among marketing executives who have been disappointed by expensive CRM software applications that have brought little or no measurable benefit. The company’s solutions may be outsourced or brought in house for clients. In some cases, Fulcrum’s marketing technology experts reside at client sites for long periods, assisting in the management of in-house capabilities.

Fulcrum Analytics has increased marketing ROI for a wide range of Fortune 1000 clients including Lowes, Circuit City, Merck-Medco, Johnson & Johnson, Roche Diagnostics, Orange, AOL Time Warner, Netscape, Disney, Tommy Hilfiger, GE, and many others. For the last three years, the company has been named to the Inc. 500 and Deloitte & Touche Fast 50 and Fast 500. Based in New York City, Fulcrum Analytics has offices in Fairfield, CT, and London, England. The company can be contacted by calling 212-651-7000 or by visiting www.fulcrumanalytics.com.