THE BENEFITS OF PRESCREENING IN A COST-PER-ACTION MODEL

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Prescreen direct marketing is a powerful tool to grow your lending business. In 2017, companies spent roughly $3 billion mailing out 6.5 billion prescreen offers. In credit marketing, nothing is as predictive of ultimate performance, both in response and risk, as credit data. Prescreening allows you to use credit data to make the two most important decisions in your marketing process: who to target and what to offer.

The Fair Credit Reporting Act (FCRA) was written in the 1970's and provides marketers with specific, black-letter guidance on firm offers of credit, or prescreen offers. Since the dawn of the charge card, credit data has been used in this way. In 1996, amendments to the regulation ushered in the prospect database, giving marketers the ability to use tri-bureau data to create a complete view of the prospect universe.

Prescreening is powerful, ubiquitous and compliant, hence its popularity. But, it has other dimensions that can create obstacles for marketers, including:

- It can be expensive. Postage, production and data for prescreen direct marketing can lead to a $400-$500 CPM channel, with postage making up over half of the costs. If it's done internally, prescreen direct marketing can eat up your marketing budget very quickly.
- It can produce volatile results. The economics of prescreen direct marketing are constantly in flux. Costs-per-account are driven by response and conversion rates, which in turn, are all functions to various degrees of seasonality, competitive volumes, macro events, offer nuances, predictive models, frequency, creative, income, targeting models and response experience. The ability to consistently "get it right" is challenging.
- It can be a byzantine process to manage. Prescreen direct marketing isn't just a printed version of digital. FCRA is a powerful regulation, but it does require disciplined management and the compliance considerations can

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be vexing. There are operational considerations, logistics, and supply chain requirements (FCRA prohibits you from doing it yourself). Unless you are a Tier 1 marketer, it's not a good use of your time and resources to build it internally.

Deluxe Performance Marketing was built as a partnership solution to bring you the benefits of prescreening in a cost-per-action (CPA), or performance marketing, model that leverages all of our capabilities for full service delivery. Deluxe Performance Marketing offers:

- A tri-bureau prospect database and custom proprietary models that are ready to drive campaigns and deliver good economics for our partners
- A team of campaign managers who serve multiple campaigns, from end-to-end
- Agency capabilities to develop winning creative and rotate in tactics to maintain performance
- Production, lettershop and logistics capabilities for high-quality campaign execution
- Reporting and analytics suite to tie it all back together

Best of all, we have the financial backing of a 100-year old, publicly traded company to fund the activates on your behalf, allowing you to pay per-funded account at an agreed upon bounty.
We also have some of the foremost industry experts who have been on the client side, running massive campaigns and delivering profitable growth through prescreen marketing. It's our ability to guide and steer from our expertise that sets the campaigns up for success.

How it Works

We always start with a pilot, which is a compact campaign designed specifically to gather empirical evidence on performance.

While we have made billions of offers and executed this type of campaign for years, the truth is that results always vary. Every brand pulls differently for every offer, in every targeting segment, at every point of seasonality, with every creative treatment. No need to guess on economics when we can design a pilot to tell us the answer.

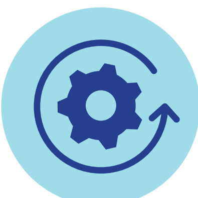
We always start with your credit criteria. Whatever you use to decision loan applications is coded into the prospect database—whether it's a model, a series of square cuts or a custom scorecard. No matter how you do it, we'll apply that approach to the front end and that's how we ensure that we are using the "specific criteria" used in decision making.

SEED

We'll develop, fund, and execute a Pilot program to meet your needs and establish basic campaign economics.

READ

Study the Pilot results to understand response, conversion, and credit quality of the campaign.



ROLLOUT

Armed with empirical data from the Pilot, we can execute optimized campaigns at scale in a cost-per-funded loan pricing model.

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To that, we'll apply our response models to dial into a core segmentation that passes your credit criteria and meets response thresholds as best as we can proxy without data.

The pilot will provide enough funded loans for you to get an idea of their quality and value. At the same time, it will help us fine-tune the models, the segmentation and the targeting to provide the largest possible universe for future campaigns.

We also develop the creative. We'll collaborate on your brand treatment and terms and conditions—and we'll use your criteria to present offers in the marketing pieces. You can rely on us to build out hardworking creative kits. We know what works and will bring the best performing tactics to bear for you.

Our team will manage the entire pilot process from there. You provide us with reporting from your system and we'll track the campaign through its response and conversion window. Once the pilot is complete, we'll study the campaign files and break-even model scores to determine what future campaigns should look like. From that analysis, we can propose an ongoing effort with regular, scaled campaigns that are produced, managed, and funded by us through the cost-per-funded loan model.

De-risking the Marketing Decision

One of the primary benefits of the full-service, cost-per-funded loan model is that it takes the risk out of your marketing decisions.

Since we fund the campaign up front, we take on the risk of performance. For you, setting a per account bounty locks in performance and shuts out risk. Campaign performance does not affect your per account economics. A poorly performing campaign that you've funded yourself can cost millions of dollars, but if you pay per funded loan, it costs you nothing. Indeed, the worst possible outcome for a marketer in this model is that they spend no money.

Bounty Economics

In a cost-per-funded loan model, we'll collaborate on a bounty. This is the amount that you'll agree to pay for a funded loan that comes through the prescreen direct marketing campaign. It goes without saying that setting and managing the bounty are key to this program's success.

The marketer needs to ensure that the bounty is set correctly, and they are willing to spend it on all the accounts that come through. There needs to

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be enough margin post-bounty to make the transaction makes sense. For Deluxe Performance Marketing, the bounty needs to ensure good economics for ongoing campaigns. Bounties set too low will force tighter cuts and result in smaller universes, which choke off the economics and scale of the partnership.

The goal of the partnership is always to find the right bounty construct to ensure an optimal opportunity size for ongoing campaigns. You need to set a bounty that is low enough to support good account economics, but high enough to support optimal universe and response conditions. The pilot is designed to find the sweet spot. Although we will work on a pilot bounty to get the program off the ground, we will also revisit different bounty constructs if the empirical data suggest it.

Reporting

The Deluxe Performance Marketing model involves us producing and funding campaigns that are designed to drive interested consumers to your website, your call center, or your physical locations. Any consumer who has been prescreened has to go through a specific credit approval process to apply the existing criteria to validate creditworthiness. This all happens in your domain. We will request regular reporting to monitor the campaign results.

Typically, some consumers will end up processing through means other than the prescreen response means. We will work on identifying them by matching new customers against the target file to determine the overall effectiveness of the campaign.

Ongoing Campaigns

We'll share results and a proposal for ongoing campaigns after the pilot. We'll look at the economics from the pilot and analyze our database and models to develop the right audience for future campaigns. We'll present it as a number of new accounts we can commit to.

Conclusion

Cost-per-action marketing is prevalent in digital marketing. Traditionally, prescreen direct marketing has been a process that marketers need to build, staff and fund themselves.

At Deluxe, we've been building out our capabilities in this space for years. We've made strategic acquisitions in agencies (Cornerstone and Acton), a data platform (Datamyx), a service platform (FMCG Direct), along with consulting and advisory services. We've designed our solution to specifically support lenders with the Deluxe Performance Marketing model. It is a unique offering in the marketplace—one we think is the right way to grow your lending business.

Next for us is the deployment of the Deluxe Performance Marketing model for deposit products and insurance. We will continue to refine the model, build out successful practices for our partners, and expand the offering into areas that make sense for our clients.

About the Author

Rich Walker is a prescreen veteran with over 20 years in the practice. He joined Datamyx in 2015, which was acquired shortly thereafter by Deluxe. As Executive Director of Strategy and Advisory Services for Deluxe Marketing Solutions, Walker has been instrumental in the development and launch of Deluxe Performance Marketing. Prior to Deluxe, Walker ran the direct marketing machine at Capital One for more than 10 years, where he acquired millions of new accounts through prescreen direct marketing and authored the firm's standards and practices for Compliance with the Fair Credit Reporting Act (FCRA). After leaving Capital One in 2011, Walker supported the development of direct marketing at Red Ventures, a performance marketing company, and then went on to join Winterberry Group as a Managing Director, where he developed the financial services practice and consulted with the largest prescreen marketers in the U.S.

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