

## **Cross Sell Model**

### **Business Challenge**

Cross selling personal loan product to the credit card customers is very profitable campaign for banks to build high quality balances. Typical business challenges faced in this cross sell campaign are:

- Which is the right target segment to sell the product?
- What is the right price which maximizes returns?
- How can cost of sourcing be minimized?

### **Approach**

Response data bases from the previous 6 months campaigns are consolidated. This data is integrated with the marketing datamarts to create a modelling data set, which includes the price-point (interest rate) at which customer accepted the product, demographic profile of the customer, transaction history both pre and post accepting the product, cross holding of customer across other products etc.

Basis the modelling data set, a predictive response model is built which ranks customers on the propensity of buying the product. All the customers are divided into deciles with top decile consisting of highest response rate. For each of the decile a pricing test is conducted with three discrete price points and a control group. After testing these price points for three months and comparing the response rate with control group, optimal price point for each decile is decided.

Modelling data set is created in SAS, and logistic regression is used to develop the predictive model.

### **Business benefits**

Banks can achieve 50% betterment in response rate by focussing on only 40% of the customers. Net interest income for the campaign can increase by 15%.