



Business Case Studies: Regional Bankcard Issuer

Background

A large regional bank, with a credit card portfolio with approximately 400,000 customers was experiencing an increasing problem with customer attrition. As its customer base had grown, the rate of customer runoff had increased steadily. Given a more challenging customer acquisition environment, the bank made attacking the attrition issue one of its top strategies.

SSS Solution

SSS designed a program that isolated, quantified and segmented potential attritors in a way that enabled the bank to implement marketing strategies that would target each type of potential attritor based on his/her economic value, tastes and other behaviors.

SSS started by building a time-series data mart which contained a wealth of data on the customer base, spanning approximately 24 months. It then used a variety of statistical techniques to build predictive models targeting each customer's likelihood to attrite within the upcoming three to six month time period.

The SSS team did further statistical analysis to group high risk attritors into behavioral segments. This was based on the premise that customers who are likely to attrite might have little else in common with other customers about to "leave the fold." In fact, there were a myriad of reasons that a given customer was statistically likely to close his/her account in the near future. The exercise identified and assigned these likely attritors into appropriate behavioral segments.

The last phase of the exercise was to quantify the customers by profitability. This was critical because the bank needed to know the economic loss associated with each potentially attriting account so that it could spend an appropriate amount to keep the customer.

Outcome

The customer integrated the attrition model, the segmentation process and the profit score into its marketing process and realized a significant insight into its attrition issue. It gained the capability to offer a highly differentiated (segmented) direct marketing programs that not only targeted each customer's likelihood to attrite, but also provided an economic and a behavioral basis to support appropriate marketing offers to these customers.