



Egg takes the lead in online banking using Decision Management tools and analytics

success story:
business rules management



Client	Egg plc, the world's largest internet-only bank
Challenge	Coordinate credit decisions while dramatically reducing time to market
Solution	FICO™ Blaze Advisor® business rules management system and FICO® Advanced Models
Results	Manual referrals reduced from 35% to 9%, time for rule change lowered from 35 days to 2 days, income from higher acceptance rates increased by 1.5%

By making more precise and consistent decisions, Egg sought to lower its provisioning for bad debt, increase its acceptance rates and set more appropriate credit limits.

"Being first means everything to us," says Phil Jobson, an analyst on the Change and Execution Team at Egg. "Our aim is to revolutionize the experience of retail banking."

With slogans like "Banking without the bother," the UK-based Egg has built its brand around using technology to make choosing and using financial products easy for consumers. Launched in 1998, Egg has taken branchless banking to a new level: It's the world's largest pure online bank, with more than 3.6 million customers. It was also voted Best Credit Card Provider in 2005 by readers of Personal Finance magazine.

Delivering innovation meant building an infrastructure with incredible flexibility, so that Egg could get new strategies into the market faster. FICO's Decision Management technology has played a vital role in helping Egg get the agility it needed, while still maintaining absolute control over credit risk.

When Egg set out to create a coordinated Credit Management System, their goals included coordinating credit risk decisions (across the bank and across the customer), reducing the amount of manual interventions and linking disparate IT systems. Overall, by making more precise and consistent decisions, Egg sought to lower its provisioning for bad debt, increase its acceptance rates and set more appropriate credit limits.

The goals were high, and the requirements strict. In judging software that could improve its front-end decision process, Egg saw six criteria as crucial:

- Flexibility
- Business ownership of scorecards
- Business ownership of strategies
- Business ownership of policies
- Minimal IT involvement after implementation
- Time to market

In operation, the system needed to enable Egg to match applicants with new products, set customer credit limits and drive personalized products in real time.

"It's very important for us that any decision has to be communicated at the point of decision," says Jobson. "The UK cards market is very competitive—you can't say, 'We'll let you know in a couple of days.'"

Building a rules control center

During an in-depth review of selected vendors, Egg identified one business rules management system that clearly met all their criteria: FICO™ Blaze Advisor® business rules management system. The Blaze Advisor system enables business users to easily set up and change business rules, so that new strategies can be put into production faster. Egg already had a strong relationship with FICO, having used FICO's fraud detection, credit risk models and FICO® TRIAD® Customer Manager. Egg built a

"Blaze Control Center" that enables business users to build and regression test the rules on their PCs. The rules are then deployed to a rules repository on the FICO™ Blaze Advisor® business rules management server, where they are maintained as a distinct body of knowledge. Egg's website communicates with this server via XML messages, with the server able to operate in both UNIX and Windows environments.

While Egg gives its business users the power to personalize their credit rules free of IT involvement, a rigorous control process was required to support them and enable them to do this with confidence. "We had to make sure we didn't give our business users the ability to shoot themselves in the foot," says Jobson. "Using the Blaze Control Center, we test all strategies before they go into the live environment."

Agility leads to rapid ROI

"Blaze Advisor system made our business agile," Jobson says. "We've gone from one scorecard to nine, and there's not a single minute of IT involvement in that."

The system allows the relevant business units to respond to changes in their operating environments far more quickly than was previously possible.

The system has been successful for five years and processes over 10,000 credit applications a day. Using advanced analytics and decision management tools has brought many benefits to Egg, including:

- Average rule change time reduced from 35 days to 2 days. "That 2 days is auditing," Jobson notes. "Actually changing the rules takes just minutes."
- Manual referrals reduced from 35% to 9%.

- Income through raised acceptance rates increased by 1.5%.
- Provision for bad debt reduced by 1%.

"We realized a full ROI on Blaze Advisor system in six months, and we estimate it has generated \$10 million in savings per year," says Jobson. "Our overall satisfaction is extremely high. The rules definition, building and maintenance facilities are extremely good."

The innovation of Egg's system has been recognized. Marcus Cripps, Egg's development team leader, received the "Developer of the Year" award from the British Computer Society in 2004 for his design and implementation of Egg's Credit Management System powered by Blaze Advisor system.

The Egg team is particularly impressed by the reliability of the Blaze Advisor system. "We've had zero downtime in the first three years of operation," Jobson says.

"When we're asked, 'How many times has IT been involved in rules roll-outs?' the answer is always, 'None.' When we're asked, 'How many times has Blaze Advisor been down?' the answer is always, 'None.' People don't believe us—IT projects don't work like this. This one did."

With the success in Egg's credit system, Jobson believes the Blaze Advisor system can be extended to other areas. "I see a massive potential for adoption of rules technology at Egg. Opportunities exist to exploit Blaze Advisor in other areas, such as marketing and insurance. The investments we've made in Blaze Advisor can be reused."

Recent Honors for FICO and Blaze Advisor system

- Best Business Rules Management System for 2008—InfoWorld
- Best Business Rules-Based Decision Management for 2008—Yphise

Decision Yield

Precision

Egg's deployment of analytic scorecards in concert with automated business rules drives the optimal course of action for each customer, circumstance and opportunity. The outcome is lower losses from fraud and bad debt.

Consistency

Via the Blaze Control Center, decisions are made more consistently than when the lender operated with disparate IT systems.

Agility

Blaze Advisor system enabled Egg business units to respond to changes in their operating environments far more quickly than was previously possible.

Speed

Egg now processes all credit applications online and communicates a response in real time.

Cost

Egg reduced its manual referrals from 35% to 9%, and was able to cut the time needed for rule changes from 35 days to 2 days.

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—Phil Jobson
Egg, plc



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