



The HSBC optimization factory speeds global strategy deployment

success story: optimization



Client	The Asia-Pacific arm of HSBC, one of the world’s largest banking and financial services organizations
Challenge	Create a framework to deploy and refine strategy optimization quickly across 20 countries
Solution	FICO™ Custom Decision Optimization
Results	Deployed credit line strategy in six months; developed further strategies for five countries just six weeks later



“We wanted to focus on quick wins and knew credit line management was something we could deploy more quickly. Plus, it’s a decision area that can deliver strategy improvements month after month.”

—Akihiko Katayama,
HSBC

Staying on the cutting-edge of predictive analytics has helped HSBC Asia-Pacific transition within the last decade from a seasoned corporate bank to a highly successful retail bank. Building on this success, the company decided to take its analytics to the next level: strategy optimization.

HSBC successfully built the knowledge necessary to create optimized strategies and deployed them via optimization software. While initial results were good, HSBC wanted to do better. The software had several limitations that made it difficult to deploy strategies globally and make adjustments quickly when business conditions changed.

“Deployment was a challenge because strategy optimization is a relatively new discipline, and most available solutions are highly academic,” explains Akihiko Katayama, HSBC senior vice president. “And we wanted to deploy it across more than 20 countries with unpredictable economies and other volatilities.”

Hoping for stronger results and faster deployment, HSBC turned to FICO™ Custom Decision Optimization. The bank was hoping to repeat its past successes with several FICO analytic solutions, including FICO® TRIAD® Customer Manager.

» Creating an optimization factory

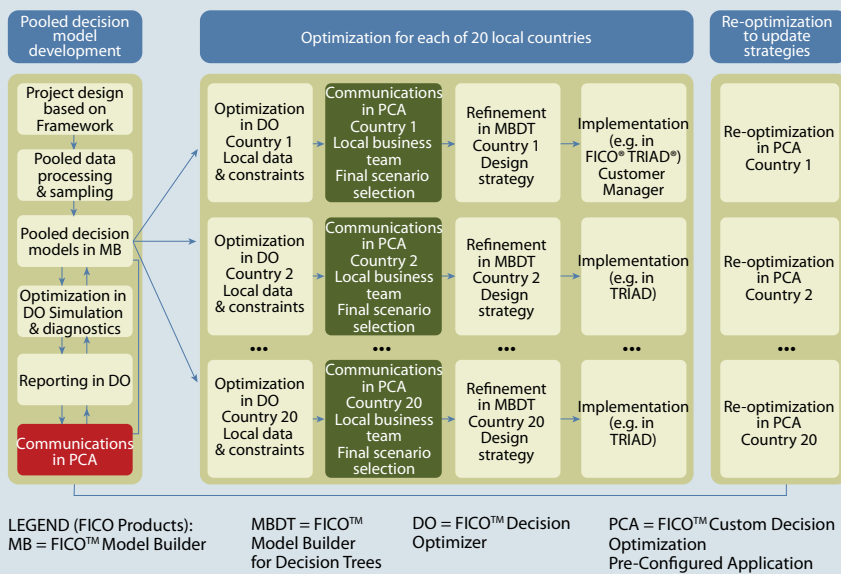
As it had done with earlier analytic endeavors, HSBC wanted to develop standard technologies that could be deployed globally—and quickly.

“In essence, we wanted to create an optimization factory,” explains Katayama. “We’ve seen double-digit growth each year for the past seven years. This success was due, in large part, to a well-thought plan and standard methods to deliver analytics. We learned how important it is to focus on methodology.”

To build this optimization factory, HSBC needed a solution that, according to Katayama, “covered all of the four ‘Ps’”:

- **People:** HSBC required optimization software that would help its staff understand business issues and the underlying technology.
- **Process:** The bank needed a process where every deliverable, model and optimized strategy could go through rigorous quality assurance.
- **Policy:** Optimized strategies must fit within HSBC policies and be adaptable as economic conditions changed.
- **Plant:** Lastly, the software needed to be easily deployed into its management systems.

HSBC "Optimization Factory" Process Enabled by FICO™ Custom Decision Optimization



The client selected FICO to build an expert model to improve its customer decisions at the point of originations. To augment its models, the client opted to have FICO not only perform an empirical validation of the model using a small data set it had available, but also to provide a number of analytic consulting services to train the team in its use of predictive models to support portfolio performance.

HSBC chose FICO™ Custom Decision Optimization Framework because it met all four qualifications. The Framework solution includes FICO's optimization software, FICO™ Decision Optimizer, which analytically calculates the optimal action, given business goals and constraints.

Custom Decision Optimization also includes a methodology "framework" that's configured for a specific decision area—credit line management, in the case of HSBC. This allowed HSBC to embed its own decision models, and rapidly build and deploy credit line strategies.

"We wanted to focus on quick wins and knew credit line management was something we could deploy more quickly," says Katayama. "Plus, it's a decision area that can deliver strategy improvements month after month."

Using the Framework, HSBC was able to deploy a credit line increase strategy in six months. And just six weeks later, it developed separate strategies for five countries.

"This was working with business analysts who had no experience in the technology—staff with no mathematical background," says Katayama. "So we felt good that we made the right decision."

» Expanding the factory

In addition to credit lines, HSBC is working on approval and initial limit strategies within Framework. Its immediate goal is to increase the use of optimization across credit card decision areas and products.

Decision Yield

Precision

HSBC will begin to address the impact of multiple decisions and the economic uncertainties of the Asia-Pacific market. And the lender believes that with FICO Custom Decision Optimization, "we have a tool that can help us get the right answers."

Agility

HSBC strategies can be adapted as economic conditions change.

Consistency

The Framework solution gave HSBC a process where every deliverable, model and optimized strategy could go through rigorous quality assurance.

Speed

HSBC was able to deploy a credit line strategy in six months, and just six weeks later it developed separate strategies for five countries.

"We also want to begin asking harder questions that focus on truly enterprise-wide concerns," explains Katayama.

"Questions that address the impact of multiple decisions and the economic uncertainties of the Asia-Pacific market. With our FICO Decision Optimization Framework, we have a tool that can help us get the right answers."



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