

bankcard

Entering a new phase in bankcard business

In the volatile “new normal” of credit behavior, banks must be able to quickly adjust origination and acquisition decisions based on far more than cardholder history. This is why FICO has introduced the FICO® Bankcard Growth Solution. An integrated approach that works across the acquisitions and originations processes, the solution consists of numerous data sources, advanced analytics, and several software applications. It enables issuers to track results, rapidly learn from today’s decisions and market changes, and then quickly test, adapt and implement new strategies. The result is accelerated card revenue and margin growth with managed risk.

Today’s bankcard marketplace requires a faster response to market changes



The FICO® Bankcard Growth Solution gives issuers a framework for accelerating learning from performance across all stages of acquisitions and originations, connecting that insight, and quickly responding with improved decisions.

For bankcard issuers, conditions couldn’t be more altered from recent times or more uncertain. Desirable consumers are harder to find, and even at that, seemingly good prospects may be more risky than they appear. At the same time, consumers’ attitudes toward credit have changed. They’re more cautious and discerning, especially as economic uncertainty lingers and new regulations change the overall landscape.

Additionally, most issuers are looking to the future, moving beyond retrenching strategies to grow the card business again. With these market conditions, however, competition is tough. Taking a conservative, safe approach can limit opportunity and increase the risk of losing market share to competitors. The challenge is to dig deeper into the market without boosting

risk, and to identify and react quickly to changing consumer behavior and economic shifts.

Issuers can meet this challenge—but not with the standard approaches of the past. In this reset economy, bankcard issuers need to also reset their approach to prospecting and originating customers.

» A framework for rapid learning

Issuers seeking large-scale growth today need to take a new approach. A historical view of consumer credit behavior doesn’t necessarily apply to today’s marketplace. Acquisition and origination decisions need to be based on the behavior witnessed in today’s marketplace, not yesterday’s.

With the FICO® Bankcard Growth Solution you can:

- Leverage analytics to respond accurately to the “new normal” of consumer behavior.
- Integrate acquisitions and originations in one decision engine for improved strategies.
- Expand your promotional universe with richer, multi-dimensional prospect profiles.
- Safely pre-approve prospects with individualized offers that fit them best.
- Modify strategies quickly in a test-and-learn environment for more timely reaction to changing consumer behavior and economic shifts.

This requires that issuers work within a new framework—one with systems and technology that support connected decisions and provide a learning loop between all stages of acquisitions and underwriting: prospecting, offer generation, responses, and new account performance. The FICO® Bankcard Growth Solution provides that system.

Fully connected decisions

The traditional approach to bankcard lending—based on siloed acquisitions and originations functions that barely interact—prohibits the level of learning and agility that's needed in today's market. It excludes meaningful and timely insight based on performance data to refine decisions at various acquisitions and underwriting stages.

Integral to the FICO Bankcard Growth Solution is the ability, via an analytic learning hub, to share feedback across prospect development, offer development, response processing and new account performance. This uniquely creates connected decisions that are actionable in a timely manner.

Timely, actionable decisions

While some issuers have created prospect/customer data warehouses and attempted connected decisions to some degree, they usually don't have the ability to iteratively test, learn and adapt in a rapid-fire fashion, and they can't do this seamlessly across both acquisitions and originations. Issuers need a method to translate analytic insights into actionable events that they take at the consumer level—on both prospects and applicants.

Within its Analytic Learning Hub, the FICO Bankcard Growth Solution makes this possible by applying advanced analytics and numerous data sources to a database of connected decision strategies. This enables issuers to learn from performance results across acquisitions and originations, and to quickly develop and put new actionable strategies in place. In the Bankcard Growth Solution's continuous learning loop, ongoing strategy development and refinement is significantly accelerated with the use of advanced simulation and other analytic techniques.

The FICO Bankcard Growth Solution presents a new framework for realizing successful, large-scale market growth. Instead of waiting 18 months to evaluate a campaign's complete lifecycle results, the solution empowers issuers to initiate effective new strategies immediately; quickly learn from campaigns and adapt strategies as necessary; set expectations through simulation testing; then track performance and set new strategies based on variances. With continuous decision refinement, issuers can quickly build a universe of evidence necessary to aggressively pursue market segments within capital constraints and new regulatory requirements, while controlling risk. The FICO Bankcard Growth Solution is designed to help issuers seeking rapid growth to quickly initiate strong customer relationships and increase wallet share through scientifically derived cross-sell and up-sell strategies.

» The Bankcard Growth Solution components

The FICO Bankcard Growth Solution is a new approach based on a unique framework. FICO has implemented this solution using its applications, scoring solutions and analytic technology. However, in many cases it can be

built upon an issuer's existing platforms and components.

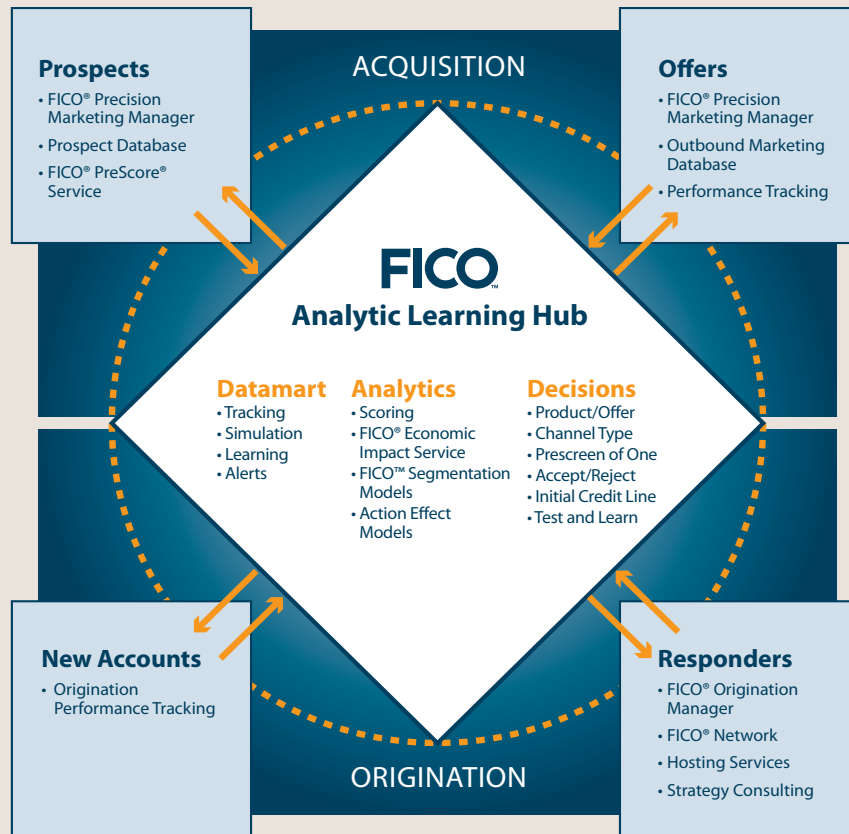
A connected, holistic approach

The FICO Bankcard Growth Solution takes an approach that is unprecedented in its comprehensive support of new strategy development. It's a complete solution that includes integration of traditionally separate operations and decisions; extensive use of data from various internal and external sources; predictive analytics; and advanced technology components supporting all stages of acquisitions and originations. The solution consists of:

- **A centralized Analytic Learning Hub** that enables connected decisions and a feedback loop between prospecting, offer generation, response processing and new account metrics; and that applies data and analytics to feed and improve decisions across the acquisition/originations lifecycle.
- **Software applications and technologies** for improving acquisitions and originations operations, and for facilitating a connected decisions framework.

FICO solutions have delivered outstanding results for bankcard lenders:

- A top US lender sped the originations process by 15%.
- A global issuer increased card acceptance rates by 8% while lowering delinquencies by 50%.
- A Canadian issuer increased card acceptance rates by 60% while maintaining the same risk levels.



FICO has delivered the bankcard solution by leveraging an integrated platform built with applications, analytics and scores. The Analytic Learning Hub at the center of the solution provides the integration of new data to enable rapid adaptation for revised strategies, customer offers, line assignments and origination decisioning.

The Analytic Learning Hub

At the core of the FICO® Bankcard Growth Solution is an advanced analytic environment that links and connects decisions across prospecting, offer generation, responses and new account metrics.

The Analytic Learning Hub Datamart:

Serves as a data store to accumulate information on customers, prospects and performance histories and to initiate test-and-learn cycles and alerts. The Datamart is fed and refreshed from a variety of data sources, including an issuer's acquisition and originations performance tracking results and outside sources such as credit reporting information and scores.

The Analytic Learning Hub Analytics:

A broad set of analytics and scoring models provides the core of the learning system. It includes:

- The latest FICO scoring models for credit risk evaluation, including the most recent—the FICO® 8 Score.
- Economic impact analytics for gauging how economic shifts impact consumer risk and behaviors.
- Action Effect Models for simulating and developing optimized product-consumer offers. These models are used to quantify the consequences of taking alternative actions, allowing the lender to be more precise in their promotions to obtain optimal results.

The Analytic Learning Decision Engine:

As issuers launch prospect offers, and receive responses and applications for underwriting, the Decision Engine allows issuers to:

- Generate ongoing improvement of a variety of decisions, including Product/Offers, Channel Type, Prescreen of One, Accept/Decline, Initial Credit Line and Test-and-Learn decisions.
- Measure performance and apply more consistent control of strategies between the two processes.

- Accelerate adaptation and refinement of strategies.
- Correlate strategies by measuring what effect changing one strategy will have on another before launching it.

The solution's built-in learning methodology is an important advancement over traditional approaches to marketing and originating bankcards. It gives issuers a way to:

- Develop objectives, strategies and analytic models—and, through simulation and adaptive controls, to implement and validate models—before going to market more broadly.
- Establish clear expected campaign and new account performance outcomes, as well as identify potential problems.
- Make more timely modifications to models and strategies based on actual results.

Acquisitions and originations applications

The FICO® Bankcard Growth Solution also includes applications for acquisitions prospecting and offer generation, and in originations and new account bookings. FICO's technology solutions help improve operational workflow as well as decision support in these functions. In addition, the solutions are integrated with the Analytic Learning Hub.

Prospecting: The solution helps improve issuers' prospect development with sharper targeting and sophisticated campaign development. FICO® Precision Marketing Manager improves targeting and campaign optimization by collecting and analyzing customer information to gain unique insights. Highly experienced FICO consultants help issuers develop comprehensive prospect databases. In addition, the FICO® PreScore® Service can quickly retrieve and apply prospects' credit reporting agency scores to segment populations and establish risk thresholds.

Product/Offers: FICO® Precision Marketing Manager drives personalized, relevant offers, including best product match. The solution supports issuers' delivery strategies, such as best-channel selection for cross-channel campaigns. With decades of experience in helping bankcard issuers shape offer

development, FICO can also help in developing an outbound marketing database, as well as in setting up systems for performance tracking.

Responders: As responses to campaigns come into originations for underwriting, FICO® Origination Manager helps issuers set and deploy strategies that maximize the profitability of credit application decisions. Underpinned by the industry-leading FICO™ Blaze Advisor® business rules management system, FICO Origination Manager gives issuers the ability to design and deploy the new rules and the agility to quickly modify them as necessary. FICO's industry leading Model Builder, to rapidly define and deploy new strategies, is included in FICO Origination Manager. FICO's Decision Optimizer, also included in FICO Origination Manager, is designed to optimize factors such as line assignment.

New Accounts: Critical to the Analytic Learning Hub and the solution's feedback loop is tracking of new account performance metrics. For example, how quickly are new cardholders activating their accounts? What are the usage patterns? What are the fraud patterns? What does all of this say about how to adjust prospect criteria? FICO can help issuers with a variety of origination performance tracking solutions. FICO's decades of experience in evaluating account behavior, and its development of leading account management

solutions, can help issuers in developing systems for tracking early performance of new accounts, which in turn can help drive timely development of new acquisition and origination strategies.

» Support for getting started

FICO can reduce implementation time and costs of the Bankcard Growth Solution in two ways. FICO can perform an analysis of a bankcard issuer's existing technology platform to determine which components can support the solution, or how they might be modified for the solution. In addition, FICO can reduce IT costs and resource demands with hosting support during the development of the solution.

The FICO Bankcard Growth Solution is for issuers looking for aggressive market growth, today. It's designed to help issuers understand today's consumer with actionable insight—before and after origination of their relationship.

For more information on the Bankcard Growth Solution, contact FICO at info@fico.com or go to www.fico.com/bankcardgrowthsolution.



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