FICO

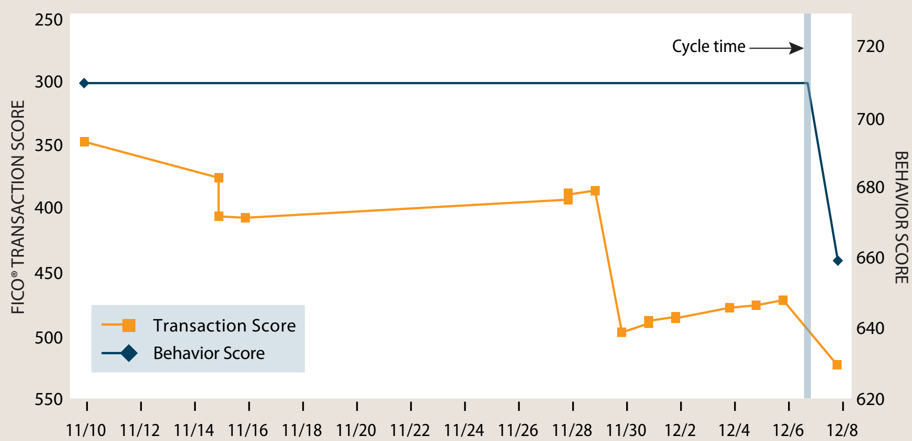
FICO® Transaction Scores

predictive analytics

Find high-risk customers faster with additional analytic insight

Transaction scoring based on authorizations data raises predictive power when used in conjunction with your cycle-based behavior scores. It separates customers with the same behavior score by revealing different levels of risk in day-to-day behavior patterns not evident in activity summaries. It provides fresh analytic insights with every transaction to sharpen your intra-cycle decisioning.

Timely alerts to changing risk



FICO® Transaction Scores provide an added dimension to risk scoring. When used with behavior scores, they not only increase scoring precision, but also identify risky behavior sooner.

Timing and precision are essential for successful account management in today's intensely competitive, economically stressed markets. The right actions taken at the right moments keep valuable customers from churning and increase the profitability of their accounts. Proactive measures applied early head off serious delinquencies. Immediate alerts to changing patterns of customer behavior prevent you from being blindsided by bankruptcies.

FICO® Transaction Scores provide the supplemental analytic insight you need to achieve these portfolio performance improvements. Used in conjunction with traditional behavior scores, as a component in an overall risk prediction solution, Transaction Scores improve good-bad separation, and find the bad accounts sooner.

Transaction scoring brings this added insight to customer decisions by analyzing a different source of customer behavioral data: authorizations. Modeling this abundant data, which captures rich detail about customer buying patterns and preferences, transaction scoring provides significant incremental predictive lift for decision strategies aimed at:

- Reducing bad debt
- Improving collections efficiencies
- Expanding cross-sales revenue
- Increasing interest income

FICO has unmatched experience building models from enormous quantities of volatile transaction data—and unmatched success at the even more difficult challenge of deploying them into operations. Leverage our know-how and advanced patented technologies to lower your technology risk and accelerate performance gains.

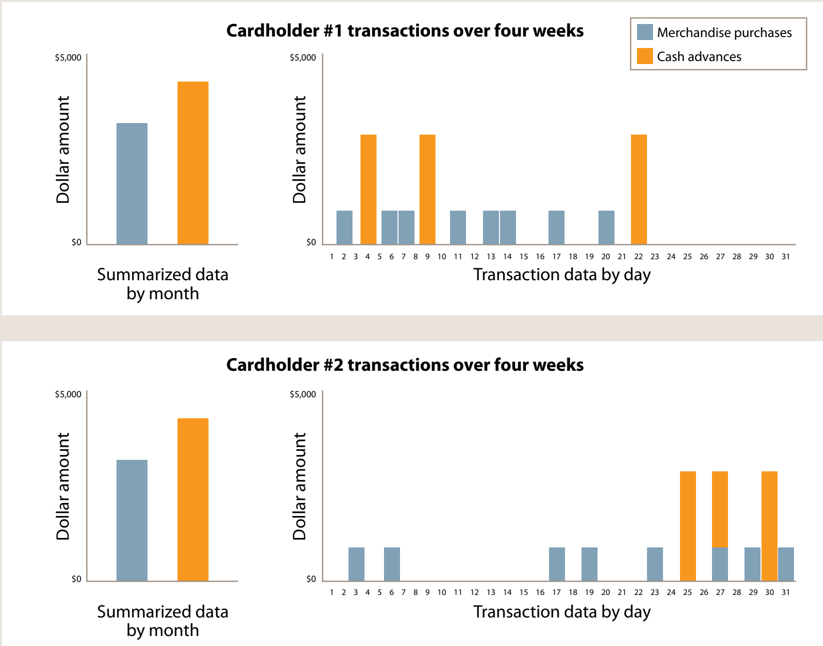
» Additional window into customer behavior sharpens risk forecasts

Traditional behavior scores predict future account risk by analyzing customer behavior from a summary of transactions that occurred over the course of the previous cycle. Transaction Scores provide an additional prediction of future account risk by analyzing

With FICO® Transaction Scores you can:

- Spot increasing risk sooner since scores quickly reveal changing transaction patterns.
- Improve risk management by adding precision and timeliness.
- Finely segment your portfolio to avoid overly conservative decisions while tightly controlling risk exposure.
- Target and time customer-centric actions to avert bad debt and take maximum advantage of new opportunities to grow valuable relationships.

Transaction-level data provides improved prediction of credit risk



Summarized data for cardholders #1 and #2 are virtually indistinguishable, while transaction data reveal important patterns. Cardholder #1 shows purchases and cash advances throughout the month, while cardholder #2 shows a series of cash advances at the end of the month. Armed with this data, the credit grantor has an opportunity to work with cardholder #2 to reduce future losses.

customer behavior from the actual data generated by each and every transaction.

Transaction scores are built using selected factors, relevant to your needs, from among abundant credit card transactional data, and may include:

- **Who:** account identifier, country, postal code
- **When:** transaction date and time
- **Where:** merchant postal code, merchant country code
- **What:** merchant ID and description, merchant codes, transaction type
- **How much:** amount

This detailed historical data reveals significant risk differences between accounts with similar behavior scores, as shown in the graphic above. As a result, transaction scoring improves separation within portfolio segments and can be used to produce more homogenous risk pools for Basel II compliance. FICO® Transaction Scores are particularly effective at separating accounts in moderate bands (as defined by behavior and credit bureau scores). By using them with behavior scores, you can therefore achieve incremental lift beyond what is achievable through increased segmentation from behavior scores alone.

» Fresh intra-cycle risk scores enable timelier actions

Transaction scoring generates a fresh account score with every customer transaction—which is half its power. While you will sharpen risk forecasting by using Transaction Scores for cycle-end decisions, you gain even more advantage by using these fresh analytic insights for better intra-cycle decisions.

Transaction scoring enfolded into operational decision making allows you to detect the first signs of rising or falling risk and respond to it promptly with treatments that minimize exposure or maximize opportunity. You will pick up behavioral patterns in young accounts that may allow you to assign targeted treatments sooner.

» Efficient real-time scoring for operational decision making

FICO Transaction Scores are based on the same advanced modeling technology used in industry-leading FICO® Falcon® Fraud Manager. They are supported by the same software, which provides the very high throughput speeds necessary for processing large volumes of transactions in real-time.

FICO has proven modeling methodologies for cleaning up data, accounting for its volatility and selecting the most predictive variables. Our patented dynamic profiling techniques solve the problem of how to rapidly process and return decisions based on so much data. These super-compressed mathematical representations of account historical behavior, updated with every transaction, enable neural network models to simultaneously analyze hundreds of pieces of data and nonlinear data relationships, to generate an accurate risk score in an instant.

FICO Transaction Scores can be used as decision keys for FICO® TRIAD® Customer Manager. They can also be deployed outside of account management—in collections, for example, with the FICO® Debt Manager™ solution, where they further separate delinquent accounts, enabling resources to be focused where risk of bad debt is highest.

The FICO Professional Services organization offers custom modeling for other dimensions of portfolio performance (attrition, revenue, profit, response, etc.). Like transaction risk scores, these custom scores can be used in any of our FICO decision management applications or into virtually any operational environment with the FICO® Blaze Advisor® system, the world's leading business rules management system.

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For more information

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