

# Leading card issuer posts a double-digit increase in marketing response rates



## Client

First Bankcard, a division of First National Bank Omaha, a card processor and leading issuer of commercial and bank credit cards.

## Challenge

The bank wanted to boost marketing campaign effectiveness and credit card net response rates as well as minimize time spent coding, rather than analyzing, data.

## Solution

FICO® Analytic Modeler Scorecard Professional powered by Xeno® was selected for its sophisticated analytics and productivity enhancing features.

## Results

Analysts developed models quickly and the competing objectives and reject inference features improved score performance by as much as 30%—driving a 10% increase in net response rate for a large marketing campaign.

For First Bankcard, a division of First National Bank of Omaha, it was becoming increasingly difficult to build predictive models that help identify which households to market to, whom to extend credit to and how much credit to offer. Part of the dilemma was the sheer size of the datasets—analysts in First Bankcard’s Decision Science group sift through 10 terabytes of information dating back 10 years. But a bigger concern was adverse selection—the applicants who are most likely to respond are also likely to be the riskiest. The negative correlation between risk and response results in a lower net response rates.

First Bankcard had a wealth of useful data to help make predictions about their customers. In addition to drawing from its rapidly growing customer database, which tracks the activity of millions of credit card customers who often post multiple transactions per day, the bank enriched its data warehouse with third-party credit bureau data as well as demographic data supporting new account acquisition efforts. And it put all that data to use, generating many thousands of test offer combinations per year.

“Imagine being able to predict the success rate of a marketing campaign before it launches. Scorecard Professional helps us forecast how a certain segment of households might respond to a specific mailing.”

Mihaela Kobjerowski, Vice President, First Bankcard

- **Giving analysts more time to analyze, not code.** With that kind of data volume and modeling needs, analysts needed responsive, robust predictive tools. Most of the bank's model development was done in SAS. But the solution was not optimal. "We are a heavy user of SAS, but in the predictive analytics area we found that a significant amount of our analysts' time was being spent on coding, instead of analyzing what the data was telling them," explains First Bankcard Vice President Mihaela Kobjerowski.

To address this challenge, the bank selected FICO® Analytic Modeler Scorecard Professional. "Scorecard Professional would let us do modeling that we previously couldn't do at the same level of detail, then download the model code seamlessly into SAS. It's a very powerful solution."

- **Reducing the impact of adverse selection.** According to Kobjerowski, competing objectives and reject inference were two key analytic features of Scorecard Professional that differentiated it from other solutions and their capabilities. Competing objectives tackle adverse selection by balancing response and risk, while reject inference allows the bank to infer the likelihood of response of previously unmailed applicants.

"Imagine being able to predict the success rate of a marketing campaign before it is launched," she says. "Scorecard Professional helps us determine how a certain segment of the household population might respond to a specific mailing."

- **Driving higher response rates.** Using Scorecard Professional, the bank completed new development work on a marketing model development project that improved score performance by as much as 30%—driving a 10% increase in net response rate for a large marketing campaign. The model simultaneously boosted response rates and approval rates due to the use of Scorecard Professional's competing objectives feature. "That's huge in our world," explains Kobjerowski.
- **A trusted advisor.** Though the bank boasts its own deep analytic skills, it relies on FICO for second opinions about how to best use tools and models. In the face of "a lot of scrutiny of scorecard development" in today's regulation-intensive environment, notes Kobjerowski, FICO has provided valuable assurance, conducting independent reviews and assessments of processes to ensure that First Bankcard has everything in order.

Predictive analytics will always be a combination of science and art, says Kobjerowski, but "the art is much more educated using Scorecard Professional." That difference is particularly important when a model's accuracy—or lack thereof—can translate into hundreds of thousands of dollars in revenue or losses.

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