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Credit Scoring and Credit Control XIV

26 – 28 August 2015

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CreditToday
THE MAGAZINE FOR THE COMMERCIAL AND CONSUMER CREDIT INDUSTRY



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Invented for life

Managing Customer Communications with Ultra-Large Scale Optimisation

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BANKING
GROUP





Agenda

- Getting the best from customer centric marketing
- What is “Big Marketing”?
- What did the FICO optimisation add to the LBG solution?
- How did FICO integrate with the LBG solution?
- What has the solution delivered at LBG?
- How is optimisation being used in financial services?



How to get the best from customer centric marketing



What is customer centric marketing?

- Why does it matter?



Success comes from trading off different factors



What are the profit drivers and business constraints?

Inputs/Facts	Potential Actions	Constraints	Objectives	Optimised Solutions
Propensity to respond to Loan Offer 123 is W%	Email Loan Offer	Not less than 3,000 contacts per marketing pack	Maximise Response Volumes	Offer Customer A Loan of 10,000 over 48 months at 8.99%
Cost per Phone Call = X	Direct Mail Credit Card Gold Upgrade	No more than 5,000 outbound phone calls/day	Maximise Profit	Offer Customer B an Investment Review
Cost of Loan Offer Pack 3 = Y	Branch Offer fully featured current account	Total Marketing Budget for week < \$ N	Minimise Direct Marketing spend	Offer Customer C upgraded online banking service
Credit Bureau Score = Z	SMS advising getting near limit		Cross-Sell 5,000 Additional Loans in the next month	



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What is “Big marketing”?



Big Data

- increasing customer and data volumes



Multi-channel campaign marketing

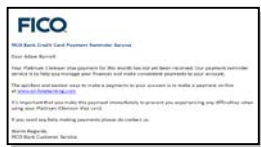
- growth in channels and offers



Social Media



Online



Email



Voice



Text



Mobile App



Improved customer experience

- right time, right channel, right message



What did the FICO optimisation add to the LBG solution?

The Challenge



- move to a customer centric approach to marketing across three brands
- runs every night within a one hour time slot

The Solution



- a mixed integer programme built using FICO Xpress Optimization Suite

Where are we now?



- live in production for over a year
- delivering double digit uplift



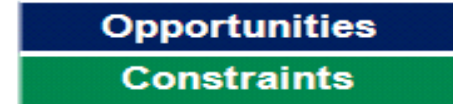
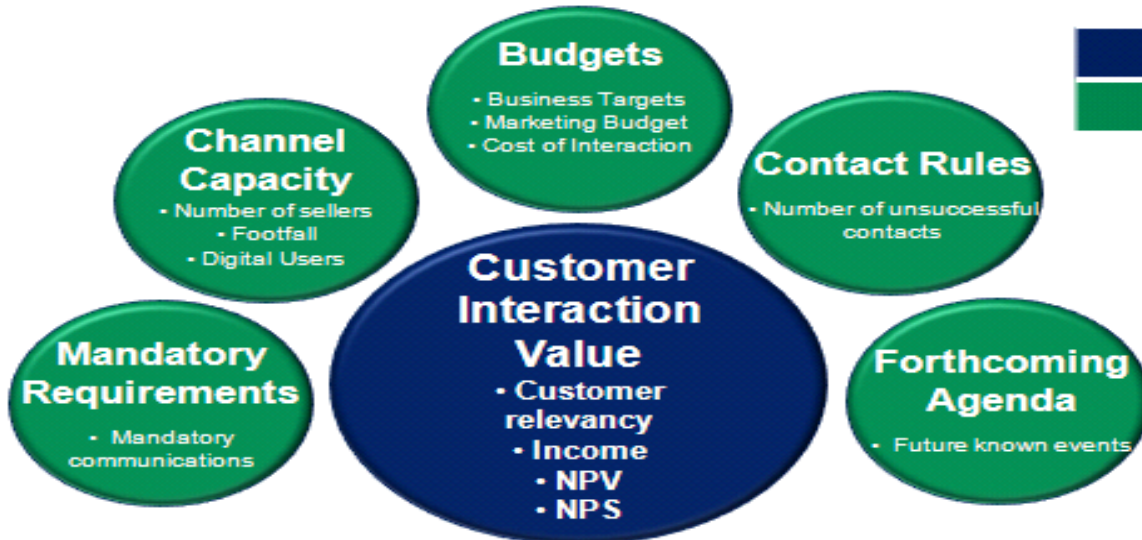
How did FICO integrate with the LBG solution?

- **Proof of concept, to confirm technical integration**
 - integration with existing data warehouse
 - connectivity with upstream systems
 - stopping rules
 - access to metadata and configuration of business constraints
 - performance: the one hour time slot
 - diagnostics
 - promotion to production
 - Business user interface and scenario planning



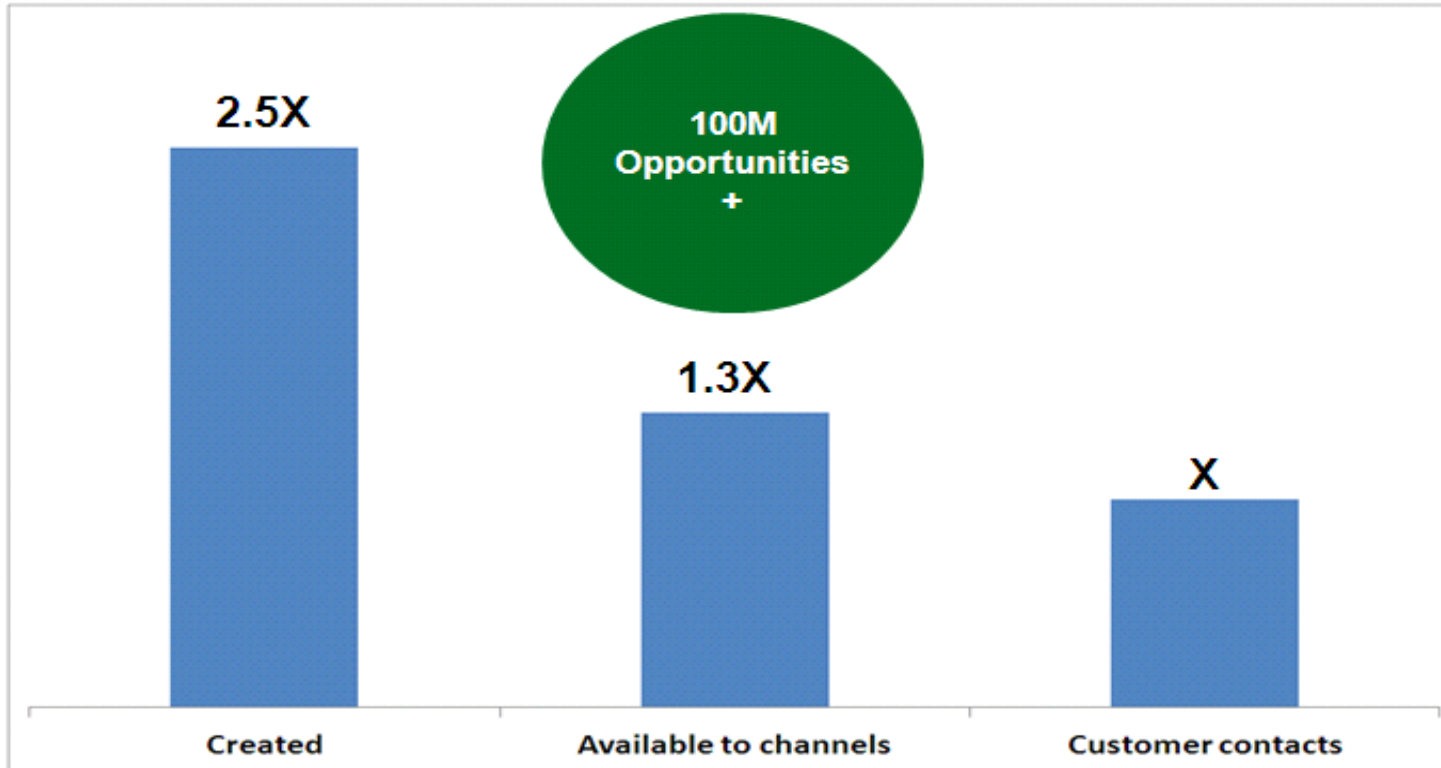
What has the solution delivered at LBG?

OPTIMISATION ALLOWS US TO TAKE A MORE HOLISTIC VIEW OF CUSTOMER NEEDS...



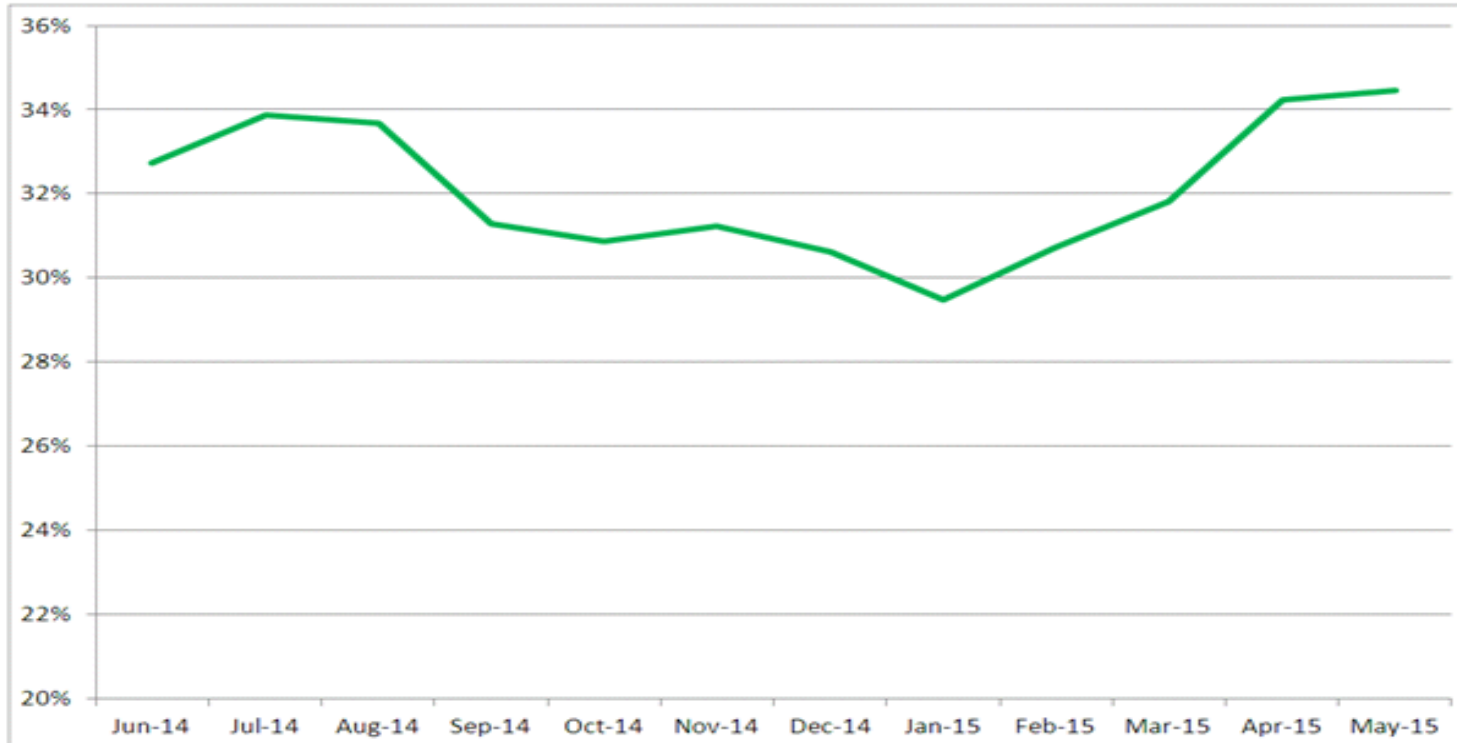
What has the solution delivered at LBG?

... EVERY DAY WE OPTIMIZE CIRCA 100M OPPORTUNITIES ACROSS PRODUCTS AND CHANNELS



What has the solution delivered at LBG?

... AS A RESULT, INSIGHTS ACTIVITIES LEAD TO >30% OF TOTAL LBG NEEDS MET



Where is Optimisation being used in financial services?

- Across the whole Customer Lifecycle...

Acquisition



- Prospect Marketing
- Brand Marketing

Origination



- Credit Limits
- Exposure Management
- Deal Structure
- Credit & Deposit Pricing
- Capital Management

Customer Management



- Credit Limit Management
- Over Limit & Delinquent Transaction Authorisations
- Portfolio P&L Management

Customer Engagement



- Cross / Up Sell Offers
- Service Offers
- Share of Wallet Incentives
- Product Incentives
- Proactive Retention

Fraud



- Transaction Fraud

Collections & Recoveries



- Treatment
- Resource
- Agency Placement
- Debt Consolidation / Restructure
- Time to call

Typical Financial Services User Groups

Generally see three main user groups



Business User

- Scenario Management
- Simulation / What-if Analysis
- Reporting & Analysis



Business Analyst

- *Decision Impact Models*
- Design, Development & Calibration
- Key Metric Calculations



Operations Research Professional

- *Solvers and Algorithm Choice*
- Develop Optimization Models
- Customization

Thank You

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