

- Overview** We helped several large financial institutions turn negative ROA portfolios profitable.
- Identified profitable vs. unprofitable customers
 - Reduced unprofitable accounts by best-fitting terms and improving collections
 - Built profitable accounts via targeted marketing and offers to a segment of one
- Context**
- After aggressive portfolio purchases, Chase had several negative earning portfolios
 - At Wells, a high growth marketing strategy produced serious credit challenges
 - A Citi affinity program had billions on book but very little revenue activity
- Challenge**
- Quickly build positive earnings
 - Remediate underlying risk issues
 - Create product value to attract and retain best customers
 - Encourage desirable customer behavior with a scalable product strategy
- Solution**
- 1) Performed customer-level assessment on over 20 million accounts to identify financial performance gaps and causes.
 - 2) Developed and deployed remediation strategies for existing customers.
 - a. *Risk Reduction*: Built PD and time to default models and designed advanced collection strategies.
 - b. *Incentivizing Positive Behaviors*: Design of experiments identified profitable features and communication strategies.
 - c. *Retaining Profitable Relationships*: Used profitability response models to avoid negative and non-responders.
 - 3) New account acquisition strategy to target and incent profitable relationships
 - a. *Improved Risk Modeling*: Adding product, non-credit and market data.
 - b. *Improved Target Marketing*: Models for utilization and probability of response enabled profit estimates and cost/benefit measures for each prospect.
 - c. *Product Revision*: Aligned products with desired behaviors and performance. We then back solved for optimal offers with a segment of one.
- Results**
- **Citibank** – Increased ROA from **-1.2%** to **2.3%** in 18 mos. – Grew ROA at 60%/yr.
 - **Wells Fargo** -- Increased ROA from **-2%** to **3.5%** in 2 yrs. – Grew ROA at 15%/yr.
 - **JPMorgan Chase** -- Increased ROA from **-6%** to **3.1%** in 2 yrs.