Chase, Wells Fargo, Citi

Financial Turn-Around

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.

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