

Bank of America Case Study



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HNC Opportunity Suite — Retention Optimizer

The Customer

Bank of America, a leading financial services company, provides comprehensive retail banking products and services including a growing consumer credit-card business. In the year 2000, Bank of America's consumer credit and debit card sales volumes were up 17 percent and commercial card volume increased more than 30 percent.

The Challenge

Bank of America's Customer Service Retention Unit handles an average of 80,000 retention-related calls per month. Analysts must instantaneously determine the best course of action for each customer call. Making the right decision is critical as it could result in retaining the customer, causing a cancellation or affecting other banking relationships with Bank of America. Additionally, the analyst's decision must be consistent with the bank's overall goals for its portfolio and customer-retention levels.

The Solution

Bank of America recognizes customer retention as key to a healthy portfolio. It turned to HNC Software's breakthrough optimization solution, HNC Retention Optimizer (part of the HNC Opportunity Suite) to retain profitable customers, build balances on existing accounts and increase profitability of each account.

The Opportunity Suite's Optimization and Simulation Environment (OSE) provides an optimal decision at each point of the customer lifecycle.

By using existing customer data to model behaviors and predict profitability over time, HNC Retention Optimizer:

- Determines an individualized hierarchy of offers that provide the highest level of lifetime value for each customer
- Maximizes portfolio profitability while meeting overall financial and other business constraints



Bank of America used HNC Retention Optimizer to retain profitable customers, build balances and increase account profitability.

Bank of America was able to increase its annualized profit by more than \$9 per retained account and increased its retention acceptance rate by 33 percent.

The Results

Bank of America analyzed the results of its current retention program with the offers generated by HNC Retention Optimizer. Based on the first year of performance, Bank of America found the results were impressive and outpaced expectations for profitability.

By tracking key indicators, Bank of America found that accounts handled by HNC Retention Optimizer showed progressively increasing levels of performance compared to existing methods. The analysis revealed that using HNC Retention Optimizer:

Retention

- Provided a 33 percent increase in the rate of acceptance for retention offers
- Created a 5.6 percent increase in saved accounts
- Reduced voluntary attrition by 13 percent

Balance Build

- Increased customer balances over initial levels by an average of \$45
- Built and revolved balance transfer amounts at more profitable rates, with 17 percent more balances carried at nonpromotional APRs

Profitability

- Increased annualized profit by an average of \$9.65 per account, less cost of funds
- Increased annualized finance charges by an average of \$4.93 per account

Conclusion

HNC Retention Optimizer has produced significant and ongoing profitability gains in Bank of America's customer-retention program. While retention of profitable customers was the primary goal of the project, increased balances and profitability of retained accounts exceeded expectations. Bank of America is now building on the success of the original implementation by using HNC Retention Optimizer to create its next generation of retention strategies as well as leveraging the flexibility of the HNC Opportunity Suite's Optimization and Simulation Environment to target other opportunities in customer profitability management.

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