



BIGGER PROFITS THROUGH CREDIT SCORING

CAPITAL Card Services lowers marketing costs with SAS®

Industry

Financial Services

Business Issue

Enhance client profitability by identifying the most valuable prospects.

Solution

SAS® lends analytic strength to programs that target profitable customers who respond to mailings.

Benefits

Higher response rates helped reduce marketing costs by \$750,000.

As the American economy recovers from a post-boom recession, credit card issuers are looking for areas of growth to improve earnings in the newly matured market.

Some issuers grow by acquisition: They gobble up card portfolios from smaller issuers that can no longer find profits. But at CAPITAL Card Services, growth means fine-tuning credit selection strategies and understanding the risks associated with lending to atypical segments to ensure profitability for its clients.

Every company must find new ways to grow its market share or revenue; to accomplish this goal, CAPITAL Card chose SAS software. Using SAS to gain that level of business intelligence, CAPITAL quickly achieved high response rates for target-specific offers, which reduced marketing costs by \$750,000, says Jeffrey J. Aegerter, CAPITAL's President and CEO.

"We chose SAS because of its proven track record in business intelligence, its top-notch support and its ability to deliver immediate value-add to our business strategies," Aegerter says. "With SAS, CAPITAL has the ability to analyze large databases of cardholder performance and credit bureau data and then use that information to make better credit card decisions."

Making informed credit decisions

Based in South Dakota, CAPITAL Card Services was founded in 1998 to provide portfolio management and card outsourcing solutions to credit card

issuers. CAPITAL is a leading servicer of MasterCard and Visa accounts for financial and nonfinancial institutions. And it provides turnkey account acquisition services, marketing, customer service, collections and portfolio management services for its clients.

In addition to using SAS to help its clients understand risks and select customers accordingly, CAPITAL is gaining a stronger competency in credit decisions, so it can be a better guide to investors acquiring credit card accounts within the highly competitive credit market.

Working with SAS and THMG, a database marketing consulting firm in Ohio, CAPITAL implemented both a customer segmentation program and an analytical-based customer acquisition program to help its clients beat the competition.



The idea was to identify distinct behavioral groups within CAPITAL's client portfolios and then formulate strategies for specific segments. "CAPITAL harnessed SAS to analyze a database populated with transaction and credit data," explains Jonathan Hill, a Principal with THMG. "CAPITAL was able to rapidly apply and test several different segmentation methodologies to determine the most useful model for achieving business objectives."

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Chiefly, CAPITAL segments customers based on their potential value. In other words: Which customers are worth mailing to?

“With SAS, we’ve developed models that assist in identifying a prospect’s propensity to respond and/or charge-off, so we can then assist our clients in determining which performance-level combinations will most likely meet their profitability goals,” explains Molly Fleming, CAPITAL’s Executive Vice President of Risk Management. “With scoring, our clients now have the ability to more clearly assess each potential prospect and determine, prior to incurring mailing expense, if the prospect’s expected behaviors fit their desired cardholder profile. The business intelligence capabilities that SAS provides are assisting us with maximizing the profitability life cycle for our clients’ card programs.”

Higher response rates, fewer defaults

With that customer intelligence, CAPITAL’s goal is to gain a keener insight into more effective pricing strategies, a clearer focus and more accurate prioritization of customer retention

activities, and a targeted plan for future customer acquisition campaigns.

Because CAPITAL relies almost exclusively on direct mail to acquire new customers, it has implemented SAS analytics to fuel its customer acquisition program.

“Direct-marketing campaigns must target prospects who represent the best combination of responsiveness and creditworthiness,” Aegerter says. “By applying the analysis we performed with SAS to credit bureau data and prospect databases, we’ve achieved lower marketing costs through higher response rates, reduced defaults and decreased delinquencies among new customers.”

Before implementing SAS, CAPITAL did not have a very efficient method of differentiating performance among segments. “We looked at performance mainly on a vintage basis under our old methods, which did not necessarily allow us to more keenly understand the various performance segments within one vintage,” Fleming says. “With SAS, we’re able to identify

all of the common performance groupings. This allows us to dissect a mailing that previously produced an undesirable aggregate response rate and get down to the micro-detail to identify the performing segments versus the nonperforming segments. This additional insight is allowing our clients to greatly improve their selection strategies by eliminating the nonperformers up front.”

In turn, operations are more cost-effective because CAPITAL can pursue only those customers it knows will be reliably profitable. And that gives a boost to clients struggling through a sluggish economy.

“Sophisticated business intelligence tools are a critical component of a successful overall risk management strategy,” Fleming says. “Advanced risk management strategies are fundamental to the credit card industry right now. In that regard, SAS gives CAPITAL another value-add to our clients.”



THE
POWER
TO KNOW.

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