
Case Study - Segmenting Credit Card Customers

Situation

The Credit Card area of a large retail bank was unable to determine the effect of their marketing on customer behaviour in credit card usage and the resulting profitability. Also they were unaware of the effect of loyalty programs and product offerings on different customer groups and the bottom line.

Vision

The aim was to gain an understanding of the behaviour and profitability of clients in the credit card portfolio in order to increase profitability by targeting the most effective marketing offers to the correct customers and creating and modifying the design of particular credit card products appropriately for particular customer segments.

Specific Requirement

The end requirement was to create a set of rules that combined credit card accounts into segments with very different credit card usage and resulting profitability. The rules separating the customers into segments were required to be based on behavioural attributes of account usage - as this is what could be influenced by intelligent, targeted marketing.

We Provided

- Research and collection of all available data attributes that were indicative of credit card usage.
 - Conversion of data fields into meaningful data attributes.
 - Experimentation with different segmentation structures in order to find the most informative and useable segmentation.
 - A set of rules separating credit cards into different usage groups of appropriate sizes for targeting by different marketing strategies.
 - Profiles of the different segments by many different attributes in order to create a vision of the customers in each segment.
 - A profitability analysis by segment to allow understanding of how different credit card behaviours relate to profitability.
-

- A migration analysis indicating how customers are moving between different segments – and strategies on how to encourage profitable migrations.
- Full documentation of the whole project including modelling methodology, diagnostics and results.
- End-to-end code for monthly runs of the scoring process, including comments and built in quality checks.
- Documented observations and learnings from the project, the business implications and resulting marketing opportunities to create innovative, targeted marketing strategies.

Result

The bank now has an understanding of the profile of its credit card portfolio, the effect that different marketing campaigns have on the behaviour of customers using their cards and the resulting profitability. The bank is now equipped with many innovative targeted marketing opportunities that can be executed. The results and effect of marketing initiatives on profitability can now be measured adding to the bank's knowledge.