



First National Bank Investing Successfully in Predictive Analytic Initiatives

*In a recent marketing campaign, the bank achieved a 10 percent increase
in net response rates using prediction scores developed with InfoCentricity's Xeno*

First National Bank is a subsidiary of First National of Nebraska, a multi-state holding company located in the heart of downtown Omaha. First National has been serving Omaha and surrounding communities for nearly 150 years. With over \$17 billion in managed assets and over 7,500 employees, First National ranks as one of the fifty largest banks in the United States.



First National is the fifth-largest in-house credit card processor, the seventh-largest merchant processor, a top-ten commercial card issuer and the eleventh-largest issuer of bank cards in the United States. First National's card division is growing fast. With close to two million active customers in the credit card division alone, successfully managing and retaining its current customers, as well as intelligently reaching out to new customer prospects, is an ever-increasing challenge.

Needle in the 10 Terabyte Haystack

According to Vice President Mihaela Kobjerowski, who manages the bank's Decision Science group working with the credit card divisions, building predictive models to help determine who to market to, who to extend credit to—and how much—is also becoming ever more difficult.

Decision Science group analysts must sift through more than 10 terabytes of information dating back 10 years to find specific nuggets of information that might suggest trends where they were not previously possible. In addition to its rapidly growing customer database—credit card customers often post multiple transactions per day—the bank further enriches its data warehouse by regularly purchasing third party credit bureau data as well as demographic data.

The Decision Science team is divided into two groups, one works mainly with marketing—both acquisition and existing accounts—and the second focuses on credit card risk analysis and prediction modeling. In addition, the group develops predictive models to help cross-sell products to other areas of the bank outside the credit card division.

First National, like many financial institutions, is a large SAS user. Prior to incorporating InfoCentricity's Xeno predictive modeling tool into their analytic environment, most of the bank's model development work was done in SAS. "We are a heavy user of SAS, but in the predictive analytics area we found that a significant amount of our analysts' time was being spent on coding, instead of analyzing what the data was telling them," Kobjerowski said. "Using Xeno we are able to do modeling that we were not previously able to do at the same level of detail, and then download the Xeno code seamlessly into SAS. A very powerful solution."

Predicting the Success of Campaigns

According to Kobjerowski, Reject Inference and Secondary Performance are two key predictive features of Xeno that differentiate it from its previous solutions and capabilities. “Imagine being able to predict the success rate of a marketing campaign before it is launched,” she said. “Xeno helps us determine how a certain segment of the household population might respond to a specific mailing.”

First National added a substantial number of new credit card accounts in 2006, the success of which can be easily associated with the efforts of the Decision Science group. The company’s annualized growth rate in the last quarter was in double digits—well above the industry average. In the new account acquisition program alone, the group has more than 100,000 tests from 2006 alone to read and model. “Xeno provides a very robust tool to get insight into so much data,” Kobjerowski said.

Kobjerowski said a recently completed model development project for marketing showed the performance of the score improved by as much as 30 percent through new development work using Xeno. That translated to a 10 percent increase in net response rates for a large marketing campaign, while also increasing approval rates due to the model having a secondary performance outcome. “That is huge in our world,” Kobjerowski said.

A Trusted Second Opinion

A Xeno customer since 2003—the bank currently has 10 licenses but plans to double that in 2007—Kobjerowski said First National enjoys a “partnership-like” quality to its dealings with InfoCentricity. “If we need a second opinion about a project we are working on, we have open access to InfoCentricity consultants,” Kobjerowski said. “We work in an industry that is highly regulated and with a lot of scrutiny on scorecard development. InfoCentricity provides us with independent review and assessment of work that is extremely valuable. With the assistance of InfoCentricity, we have made sure our processes are in order and being adhered to. It is very reassuring.”

According to Kobjerowski, who has been with the bank more than eight years, predictive analytics is and will ever be a combination of science and art—she currently estimates it at 60 percent science and 40 percent art—“but the art is much more educated using Xeno,” Kobjerowski said. Xeno has proven to be an invaluable addition to our analytics environment.”

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