

DATA MINING IN THE FINANCIAL SERVICES INDUSTRY

PRESENTATION TO KNOWLEDGE DISCOVERY CENTRE
(15 FEBRUARY 2001)



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STANDARD CHARTERED

- World's leading emerging markets bank - Asia, Sub-Continent, Africa, the Middle East and Latin America
- 740+ offices (55 countries); US\$90bn in assets
- Key business lines:
 - *Consumer Banking* - deposits, mutual funds, mortgages, credit cards, personal loans
 - *Commercial Banking* - cash management, trade finance, treasury, custody services
- Long-term commitment to Hong Kong e.g. note issuer, #1 consumer credit card etc.

KNOWLEDGE - WHY?

THE NEW IMPERATIVE

Identify Opportunity and Key Success Factors

GOAL

Focus on a Precise Proposition



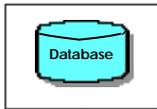
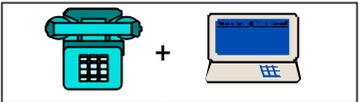
Build World-Class Talent

Amass Actionable Information

METHOD



Gather Purpose-Appropriate Infrastructure

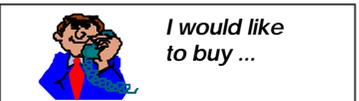


Deliver Best-of-Breed Solutions



RESULT

Earn Customer Loyalty

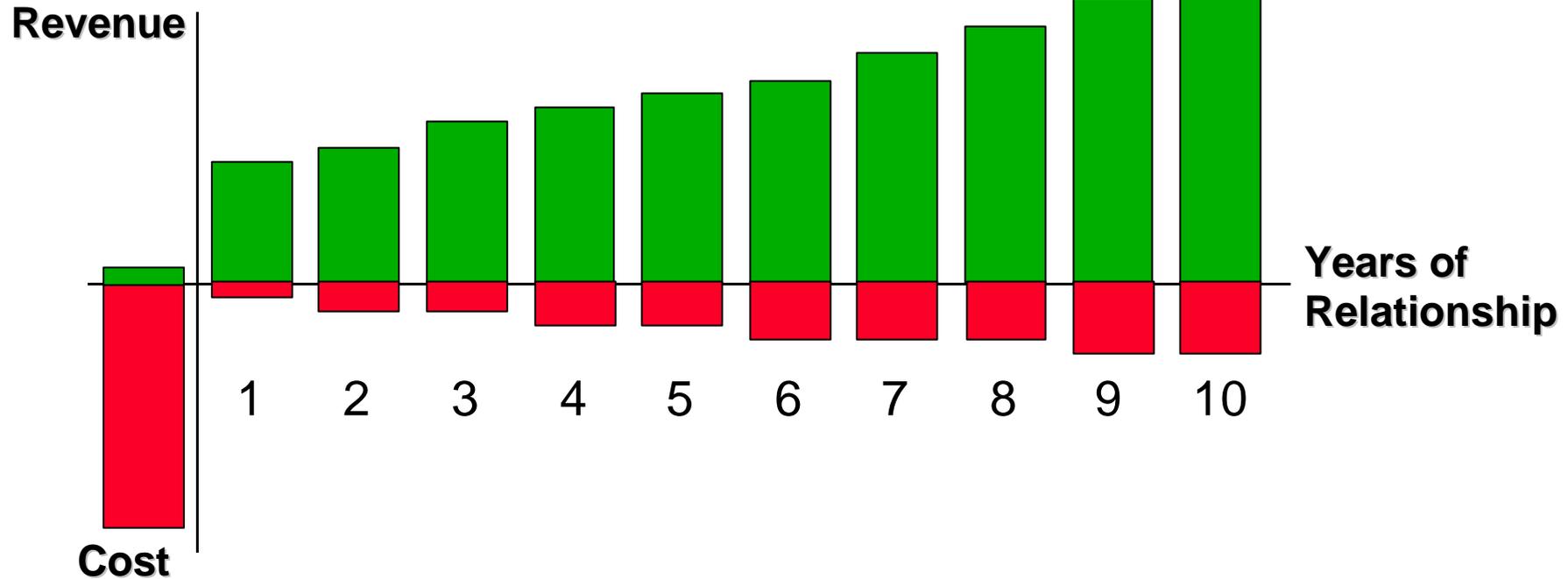


Earn Superior Returns



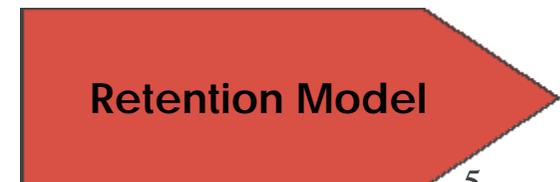
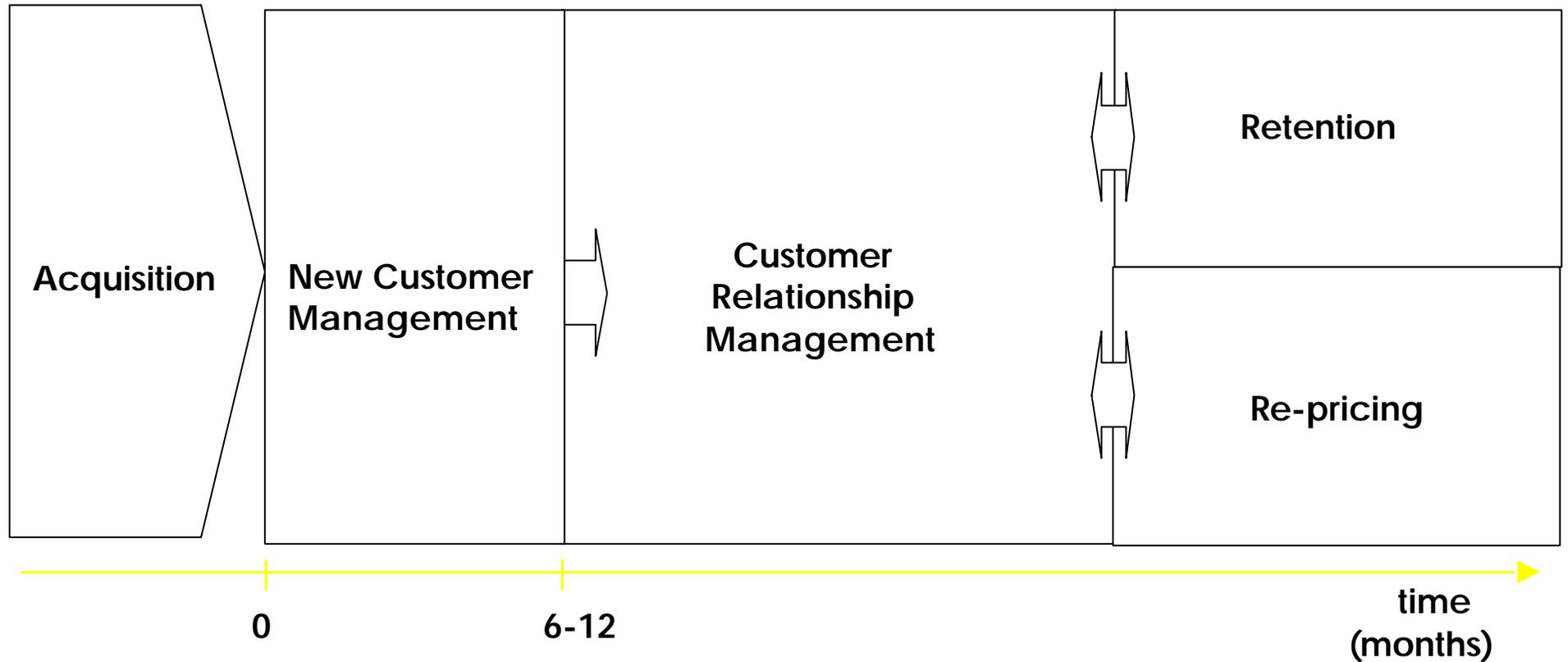
Source: Corporate Executive Board

KNOWLEDGE - WHY?



- It is the customers usage of the product over time which has the potential to create profit
- And our ability to cross-sell & up-sell other products which are also used profitably

KNOWLEDGE - HOW?



KNOWLEDGE - HOW?

KNOWLEDGE OF CUSTOMERS

- Purchase Behaviour
- Service Needs
- Demographics
- Product Usage
- Relationship
- Price Sensitivity etc.



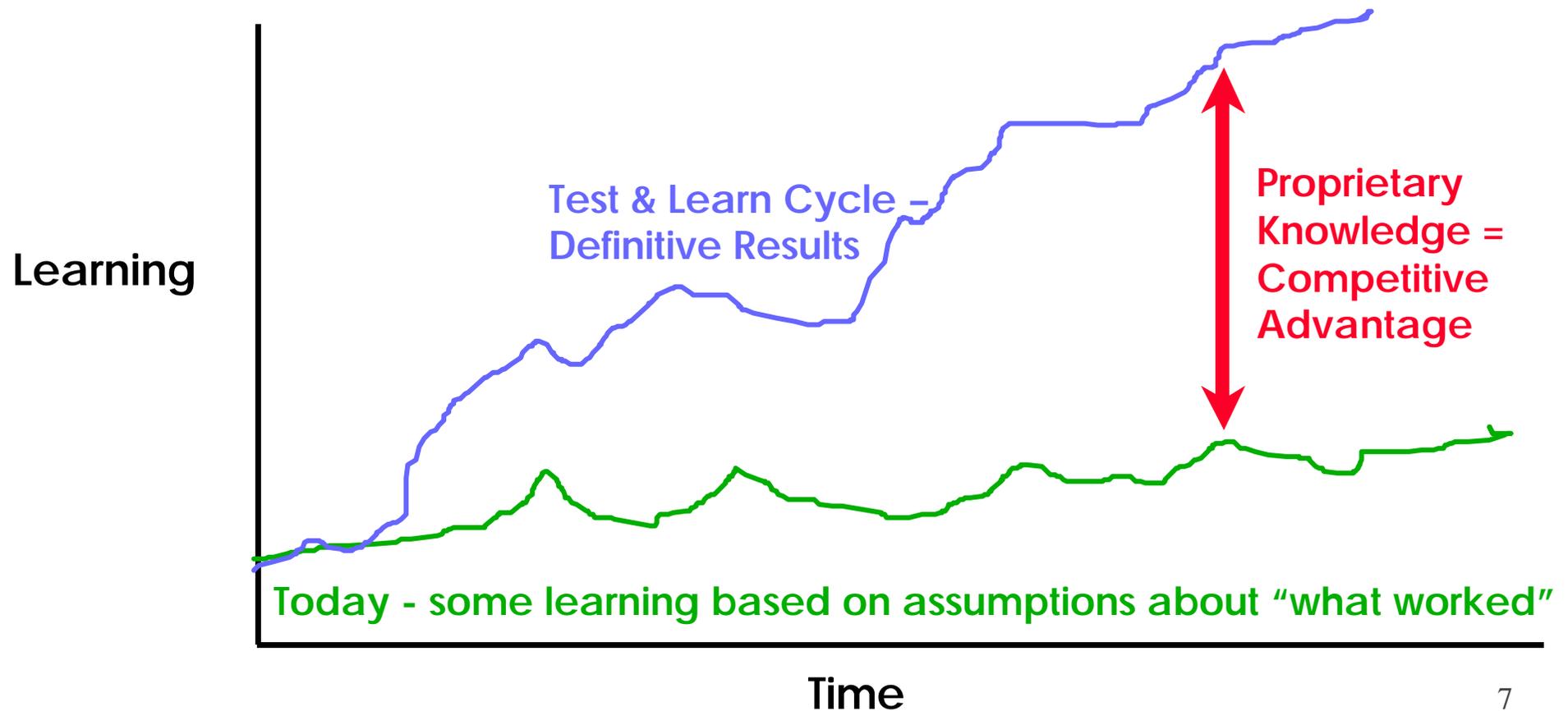
TAILORED PROGRAMMES AND COMMUNICATION

TAILORED CUSTOMER SERVICE

- Customer Retention +
- Cross-sell/Utilisation +
- Pricing Optimisation +
- Customer De-marketing +
- Product Re-design +
- Channel Management +

= HIGHER PROFIT

KNOWLEDGE - HOW?



DATA MINING INTO PRACTICE

Data Warehouse



Customer Profitability/
Segmentation



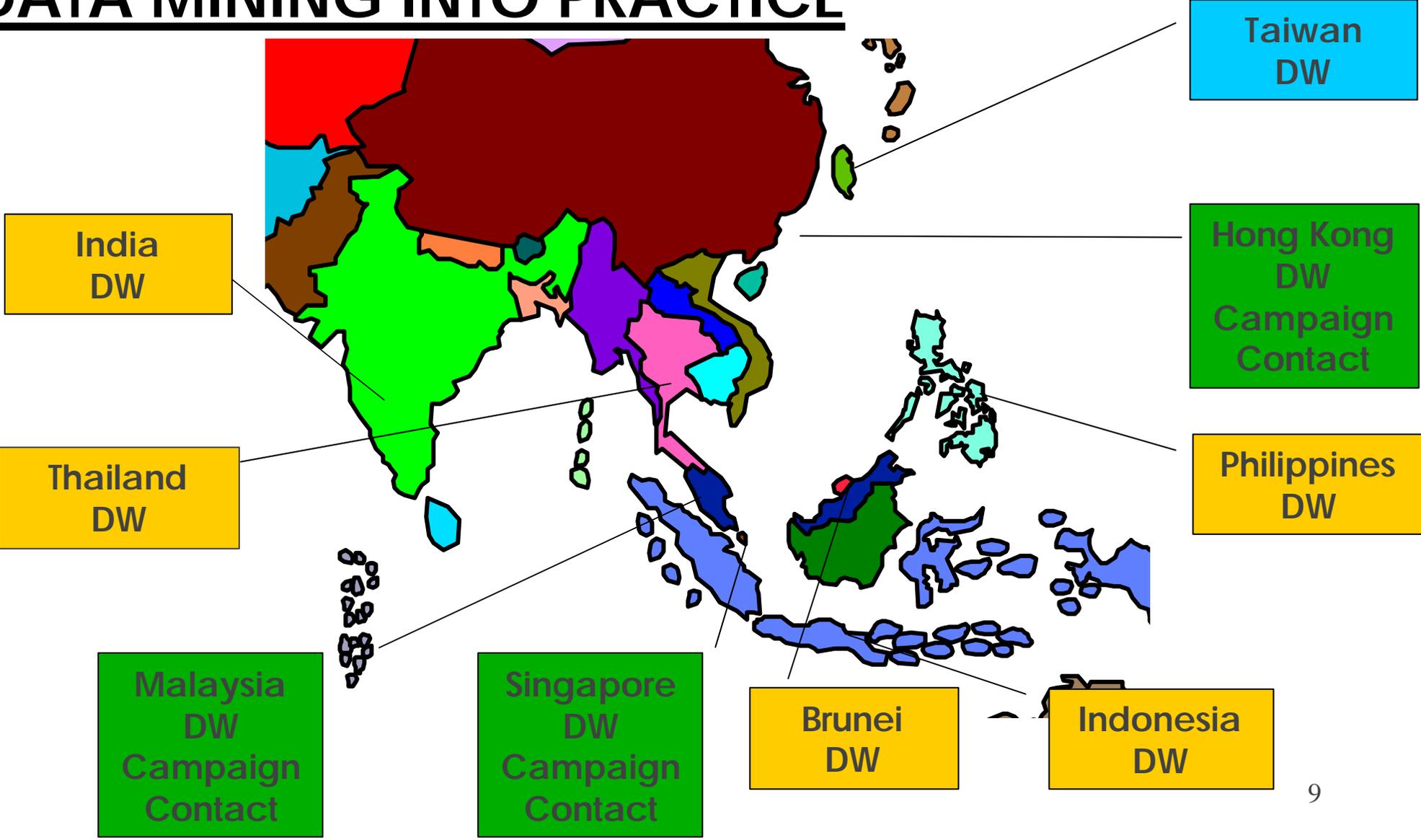
Campaign Management



Contact Management



DATA MINING INTO PRACTICE



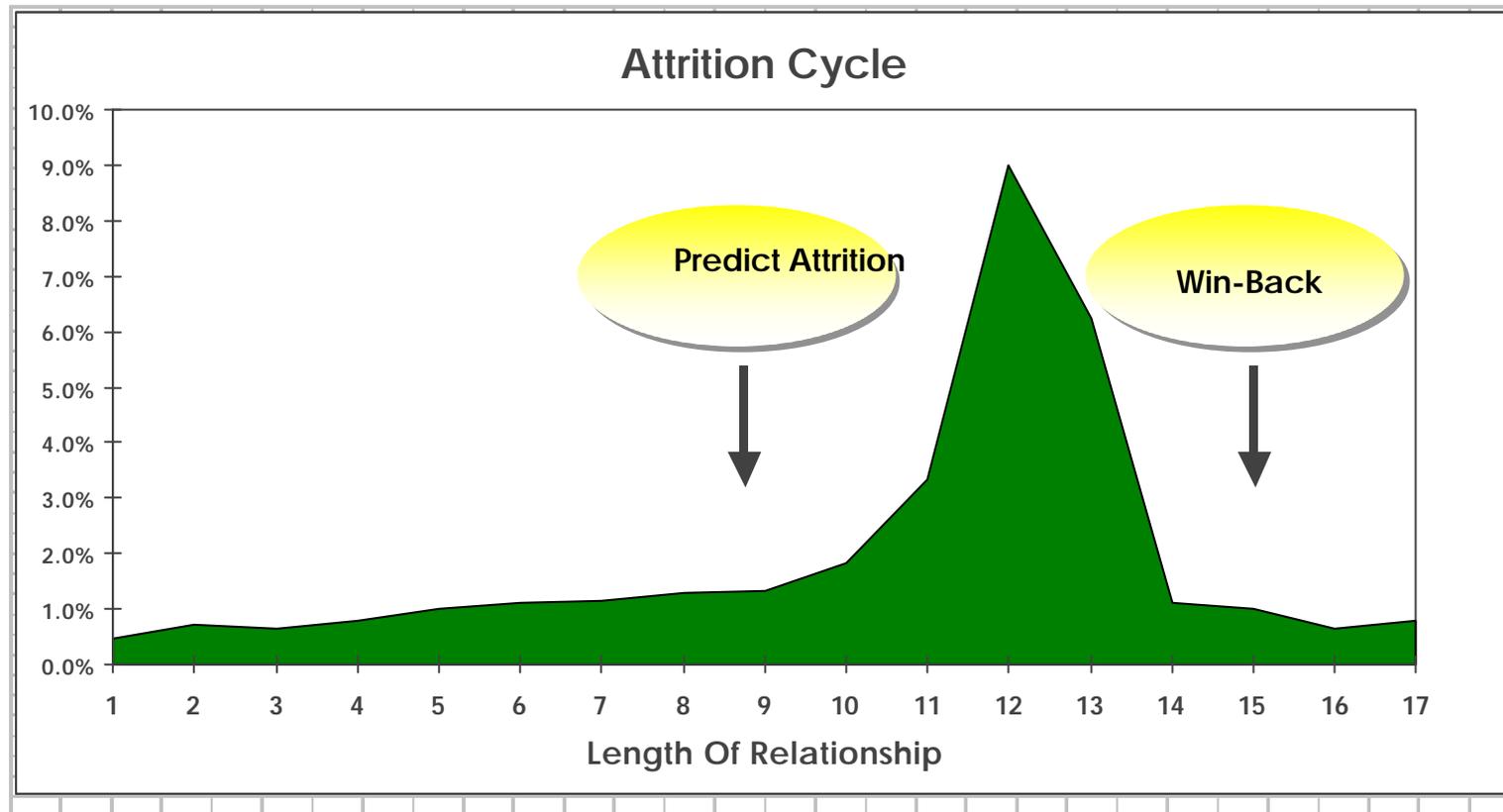
CHALLENGES

- Changing the culture - data-driven, product to customer, volume to value
- Shortage of skills - analytical, technical, marketing
- Immature market e.g. vendor networks, public data, lists etc.

SUCSESSES

- Building on “early wins”
- Learn from developed markets - faster cycle time
- No public data = proprietary data even more valuable
- Ability to combine emerging markets channels with information capabilities

EXAMPLE: RETENTION



Data Warehouse



Customer Profitability

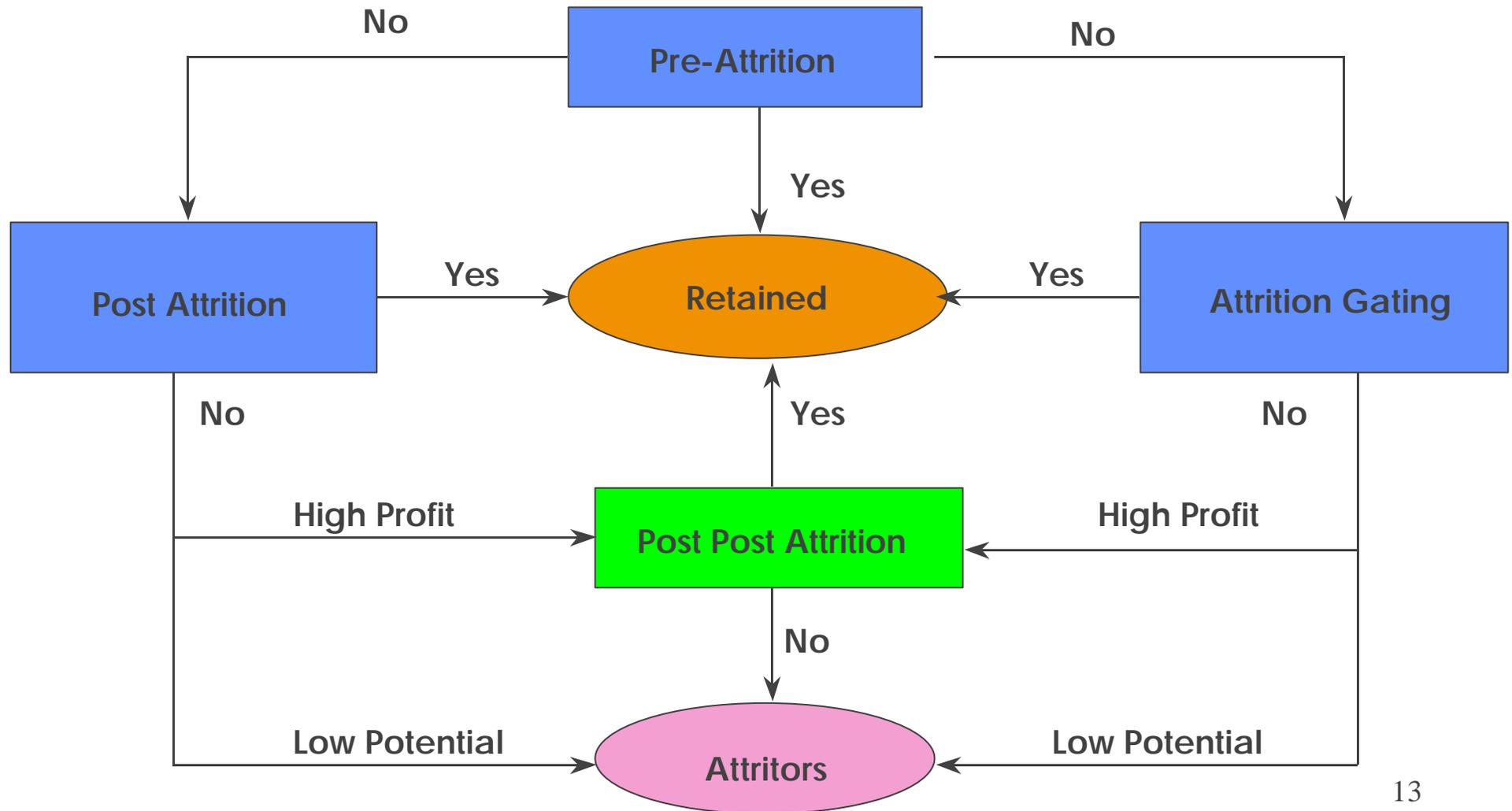


Campaign Management

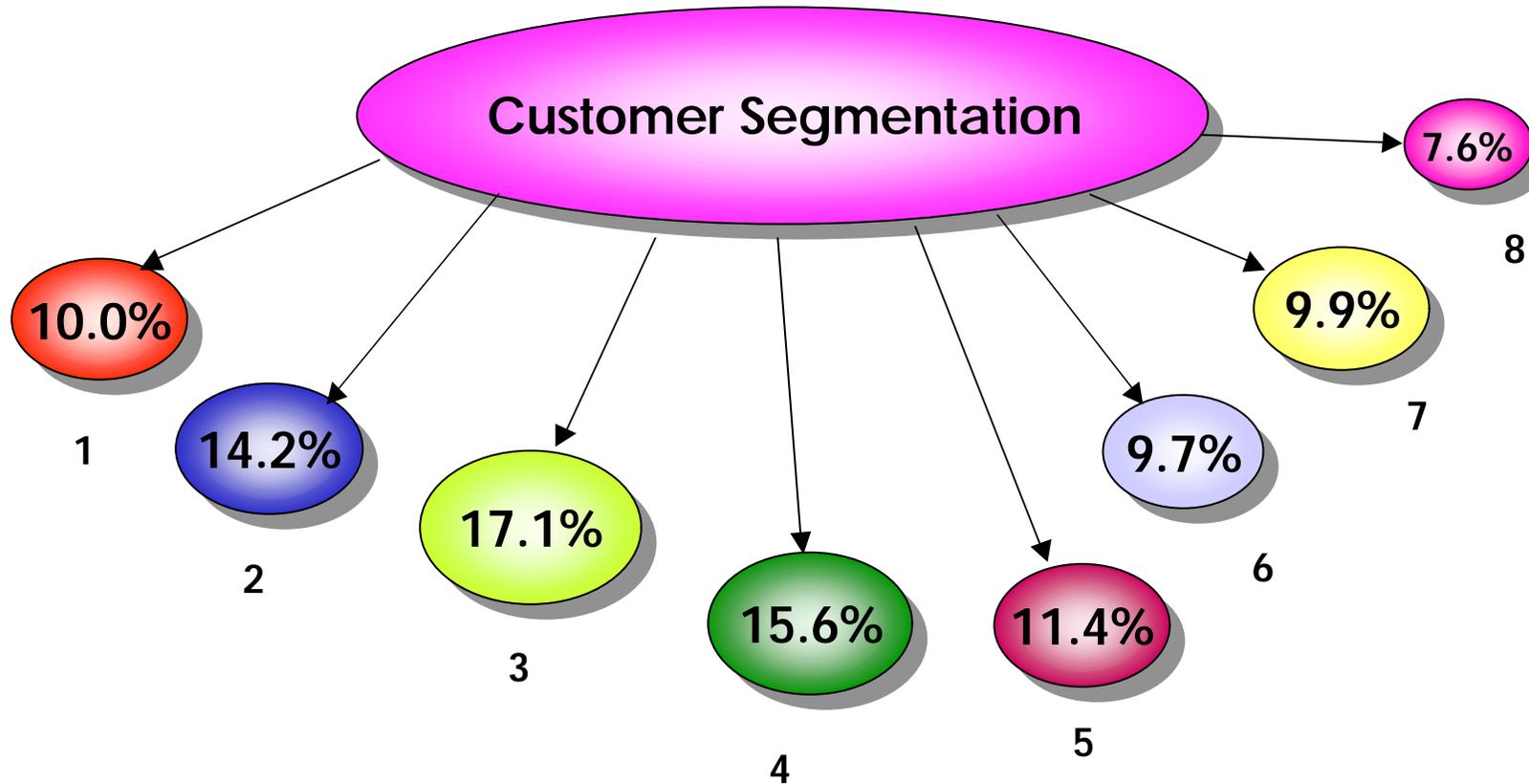


Contact Management

EXAMPLE: RETENTION



EXAMPLE: MIGRATION



Data Warehouse



Customer Profitability

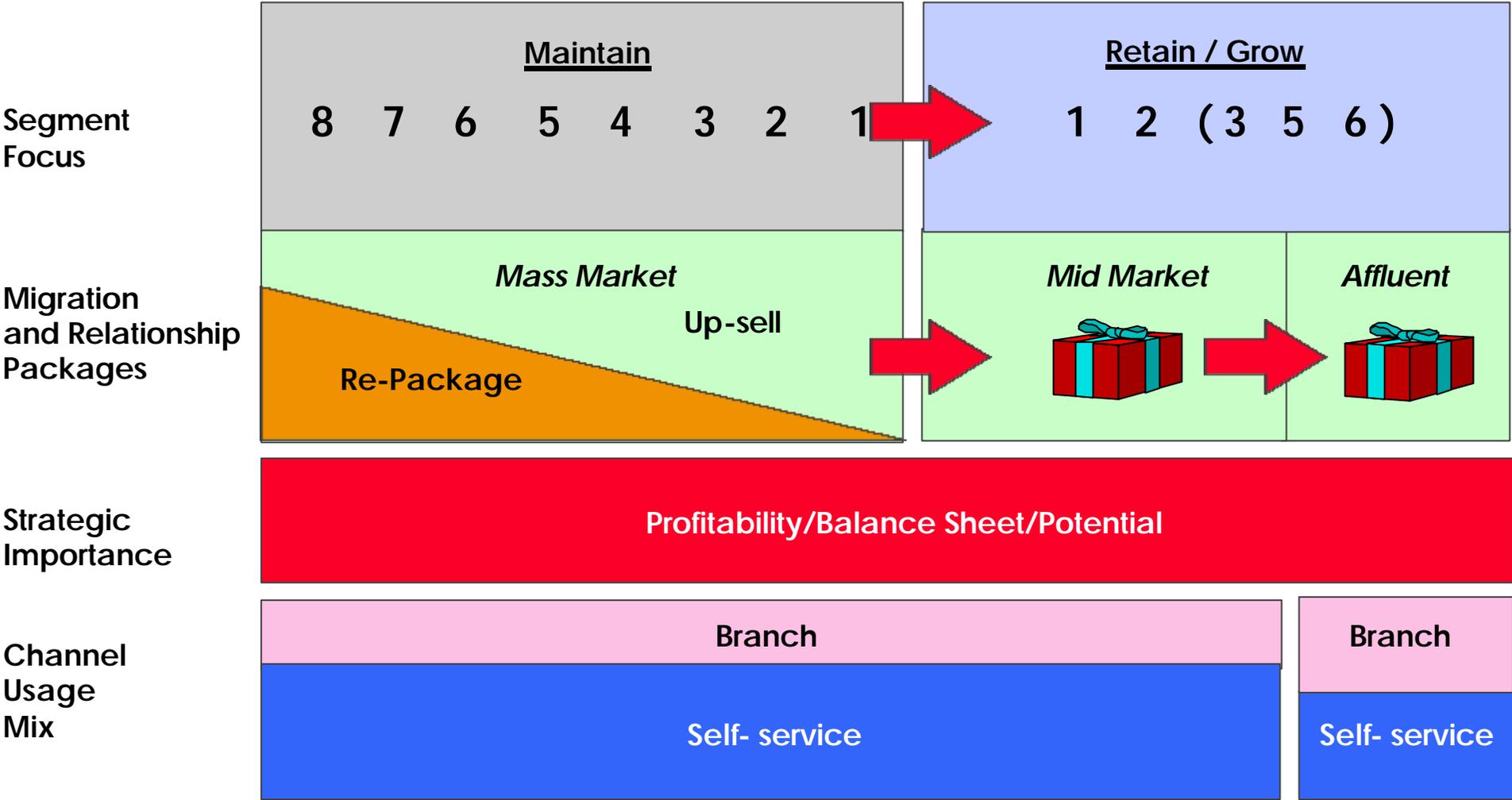


Campaign Management



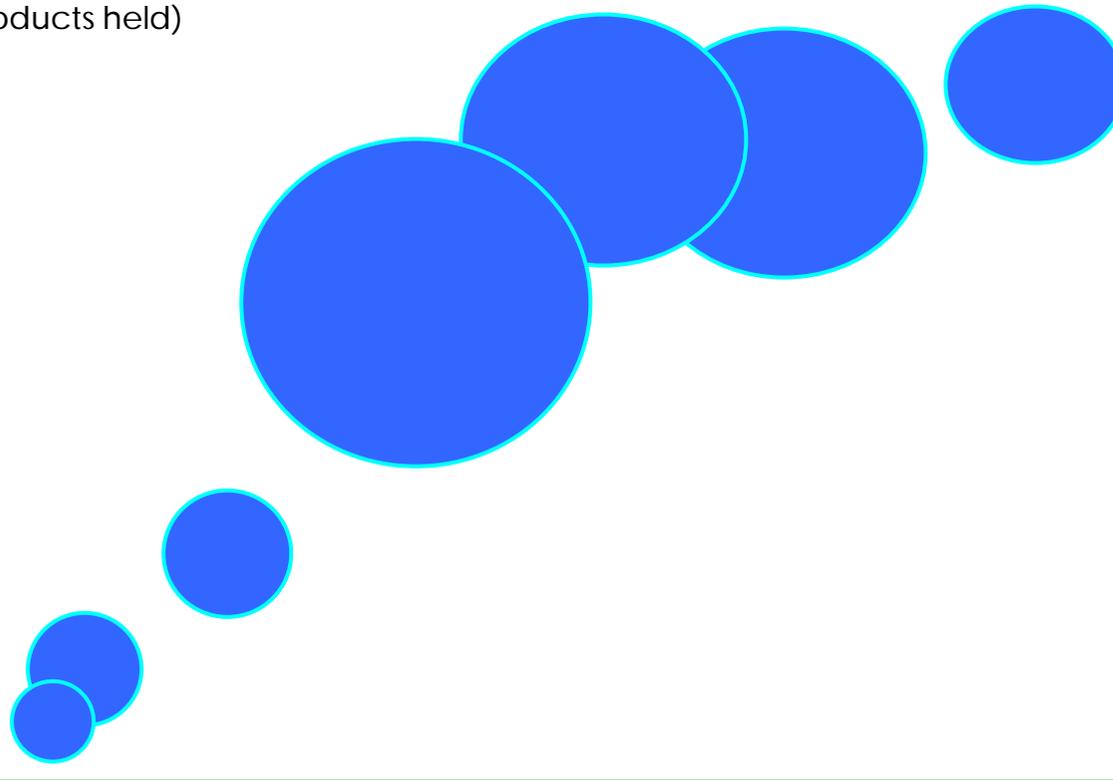
Contact Management

EXAMPLE: MIGRATION



EXAMPLE: CROSS-SELL

Depth of relationship
(no. of products held)



Intensity of relationship (no. of transactions)



Data Warehouse



Customer Profitability



Campaign Management

EXAMPLE: CROSS-SELL

		Business Value Centre			
		Wealth	Secured	Un-Secured	BFS
Customer Segments	Segment 1	 BUILD CUSTOMER VALUE			
	Segment 2	 BUILD CUSTOMER VALUE			
	Segment 3	 BUILD CUSTOMER VALUE			
	Segment 4	 BUILD CUSTOMER VALUE			
	Segment 5	 BUILD CUSTOMER VALUE			
	Segment 6	 BUILD CUSTOMER VALUE			
	Segment 7	 BUILD CUSTOMER VALUE			

EXAMPLE: CROSS-SELL

Established Loyals



Share of customers 3%
Share of profits 8%

- Multiple account holding is common
- Long relationship time
- High transaction activities
- High phone banking usage

Developing Loyals I



Share of customers 9%
Share of profits 44%

- Highest asset balance across segments
- 25% of segment has high bank assets
- Liabilities low

Developing Loyals II



Share of customers 12%
Share of profits 13%

- Highest level of multiple deposit account holding
- Average account balance very high
- Mean age is 45

Borrowing Potentials



Share of customers 10%
Share of profits 12%

- All hold credit cards
- Most have loans in small amounts
- Deposit balance low

EXAMPLE: CROSS-SELL

New Savers

Share of customers	12%
Share of profits	3%



- Dominated by single deposit account holders
- Short relationship time
- Open accounts in response to promotions

Low Value Savers

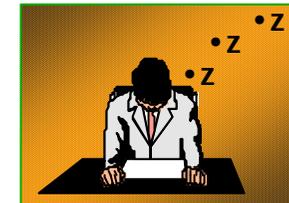
Share of customers	10%
Share of profits	0%



- Single deposit account holders – mainly saving accounts
- Longest relationship time with SCB
- Mean age is 50
- Over-represented by females

Low Activity Savers

Share of customers	15%
Share of profits	2%



- Mostly customers with one deposit account
- Dormant customers over-represented
- Highest proportion of static balance

TARGET BENEFIT - QUICK WINS

RETENTION

High

MIGRATION

Medium/high

CROSS-SELL

Medium/low

FACING THE CHALLENGES

- Building competencies
- Integrating value concepts into all points of customer contact
- Re-engineering processes in marketing, sales and service
- Continuing technology investment