

Equifax Canada makes some smart moves

EQUIFAX®

Using analytics to develop more accurate credit risk scores and identify new business opportunities

Smart is...

Helping clients identify business opportunities by accurately predicting which of their customers will move to a new home in the next six months.

Equifax sees significant potential for growth in the Canadian market by complementing its traditional credit scoring offerings with innovative analytics services based on advanced modeling of vast quantities of customer data gathered by clients in the Canadian banking, utilities and telecommunications sectors.

A prime example of these new value-added services is Equifax's "movers' model", which identifies the customers who are most likely to move to a new home in the next six months. The analytics team has also developed the Equifax Risk Score (ERS), a more sophisticated credit risk scoring system, which significantly outperforms the previous generation of scoring models.

Equifax is a global leader in consumer and commercial information solutions, providing businesses of all sizes and consumers with information they can trust. It organizes and assimilates data on more than 500 million consumers and 81 million businesses worldwide, and uses advanced analytics and proprietary technology to create and deliver customized insights that enrich both the performance of businesses and the lives of consumers.

Headquartered in Atlanta, Equifax operates or has investments in 18 countries, including the US, Canada and the UK, and is a member of Standard & Poor's (S&P) 500 Index. Its common stock is traded on the New York Stock Exchange (NYSE) under the symbol EFX. For more information, please visit www.equifax.com.

Growing the business in Canada

Equifax sees Canada as one of its most advanced and profitable markets – a market where clients are keen to adopt added-value analytics services that complement traditional credit scoring offerings. More than 30 percent of the company's Canadian revenue already comes from analytics-based services, and the Technology and Analytical Services team in Equifax's international division is constantly working to develop new and innovative products and services.

Santiago Villasis, Director, Technology and Analytical Services, explains: "Our clients in sectors such as banking, telecoms and retail gather enormous quantities of data about their customers' behavior, and we have over 25 years of experience in analyzing and modeling these data to assess credit risk. But of course, the data can be used for much more than just credit scoring – and this is a huge opportunity for our business. We're working with our clients to develop all kinds of exciting new technology and analytical services, and IBM Business Analytics software plays a key role in delivering them."

IBM® SPSS® Statistics and SPSS Modeler are an important part of the Technology and Analytical Services team's toolkit – supporting the development of sophisticated statistical models with capabilities such as leading-edge algorithms for predictive analytics, segmentation, decision trees and data mining.



Business benefits

- New insights from predictive analytics help Equifax's clients make better decisions in areas such as marketing, loan approvals, portfolio management and collections.
 - The movers' model is 40 percent more effective at predicting the top 10 percent of movers than the client's own predictions, enabling better targeting of products and marketing campaigns.
 - By improving credit risk management, the new Equifax Risk Score (ERS) is estimated to save a top-five bank \$2.5 million per year, compared to the previous generation scoring model.
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The team is also currently looking to extend its use of IBM Cognos® Business Intelligence to help present results to clients in a more graphical and intuitive way.

Developing a movers' model

As one example of a recent project where IBM Business Analytics software has helped Equifax develop a new service, Santiago Villasis describes the company's new "movers' model".

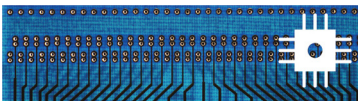
"One of our clients came to us and asked whether we could use their data to predict when their customers were going to move to a new home," he explains. "They had already tried to build a predictive modeling solution themselves, but the results weren't as good as they had hoped, and we were convinced that we could do better."

Using a decision tree methodology, the Equifax team was able to whittle down a huge list of possible variables within a generic customer data-set to a small number of factors which serve as accurate predictors of whether a customer is likely to move homes within the next six months. This generic mover's model was then customized for the client's specific data-set, which delivered even better results.

"For identifying the top ten percent of individuals who are most likely to move, our custom model provides an uplift in accuracy of 365 percent compared to a baseline of random selection," notes Santiago Villasis. "It is also approximately 40 percent more effective than the client's original model."

It is important to note that Equifax does not make available or disclose any individual information for marketing or prospecting purposes without the person's consent.

Smarter Analytics



Instrumented

Data from millions of customer records is gathered from clients' systems, external sources, and other Equifax databases.



Interconnected

Using a sophisticated statistical model, Equifax can identify the customers who are most likely to move to a new home within the next six months, and easily report the results to its clients.



Intelligent

More accurate understanding of customer moving patterns enables Equifax's clients to target products and marketing campaigns to specific individuals, helping them make the right offer at the right time.

Solution components

Software

- IBM® SPSS® Modeler
- IBM SPSS Statistics
- IBM Cognos® Business Intelligence

IBM Business Partner

- Knowledge Providers Inc. (KPI)
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“We evaluated the effectiveness of the new Equifax Risk Score, and found it outperformed the old model by three points... For one of the top-five banks, this worked out as a saving of \$2.5 million per year.”

— Santiago Villasis, Director, Technology and Analytical Services, Equifax

For example, the movers' score would only be made available at an aggregated level, unless the entity that wishes to use the Equifax movers' model has obtained consent to use individual customers' information.

Benefits of knowing the next move

The value of a predictive movers' model is potentially huge for clients in many industries, because it can give them the insight not only to make the right offers to the right customers, but also – crucially – to make those offers at the right time.

“When people move, they might need to apply for or renegotiate mortgages, purchase new insurance policies, or arrange new water, gas or electricity supplies,” says Santiago Villasis. “This may be a precarious situation for banks, insurers and utilities, because their customers often take the opportunity to shop around for other suppliers. But if these companies can predict when someone is likely to move, they can offer them a compelling reason to stay with their current supplier – boosting customer loyalty and retention rates, and increasing the return-on-investment for marketing campaigns.”

The movers' model score can also be useful as a contributing variable in other complex risk scores. By giving a richer and more rounded view of an individual's current personal and financial situation, the score can help Equifax's clients make decisions about which credit products to offer them, at what price, and when.

“We have seen, for example, that people who are most likely to move also tend to have a higher credit balance,” says Santiago Villasis. “This means that they might present a good opportunity for some of our clients, such as credit card companies that offer balance transfers. On the other hand, this group may also be a slightly higher risk for loans. The important point here is that knowing whether someone is likely to move can help companies make better decisions in all sorts of areas – not just the ones that are obviously linked to moving homes.”

Building the financial case for better credit scores

The Technology and Analytical Services team has also been working on a new version of the company's generic credit risk score, which is known as Equifax Risk Score (ERS), and has used IBM SPSS software to help calculate the return on investment for clients who decide to use the new score instead of other previous generations of scores.

“We used a technique known as a K-S test to evaluate the effectiveness of the new ERS, and we found it outperformed the old model by three points,” says Santiago Villasis. “We then quantified the difference that this three-point improvement would make to some of our customers. For one of the top-five banks, it worked out as a saving of \$2.5 million per year.”

Accurate credit risk scoring is critical because it helps lenders understand which potential customers are most and least likely to pay off their debts in a reliable and regular fashion. This helps banks and other lenders decide whom to target with their marketing campaigns, how to screen potential customers, what terms to offer, what collateral to ask for, and how best to collect. Most banks are well aware of the potential savings provided by better credit scores, and in this case, Equifax's client quickly decided to adopt the new model.

Fostering a strong relationship

Santiago Villasis has been a champion of SPSS software for many years, and is enthusiastic about Equifax's relationship with IBM:

"Since the acquisition of SPSS in 2009, the level of support we have received from IBM and its Business Partner KPI has been fantastic.

We have also been having some useful discussions with IBM about extending our use of Cognos to help our consultants present results to clients."

Santiago Villasis concludes: "IBM solutions are a key part of our plan for the continuous enhancement of our Technology and Analytical Services department – and our department plays a key role in the future development of Equifax's business. By offering a wider range of innovative analytics-based services, we are able to deliver even greater value to our clients and grow our revenues both within Canada and internationally."

About IBM Business Analytics

IBM Business Analytics software delivers data-driven insights that help organizations work smarter and outperform their peers. This comprehensive portfolio includes solutions for business intelligence, predictive analytics and decision management, performance management, and risk management.

Business Analytics solutions enable companies to identify and visualize trends and patterns in areas, such as customer analytics, that can have a profound effect on business performance. They can compare scenarios, anticipate potential threats and opportunities, better plan, budget and forecast resources, balance risks against expected returns and work to meet regulatory requirements. By making analytics widely available, organizations can align tactical and strategic decision-making to achieve business goals.

For more information

For further information please visit ibm.com/business-analytics



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