

Builds & Effects of Information System



Hiroyuki Namiki

OMC Card, Inc., Board Member

Head of Management & IT Planning Division

OMC Card Company Overview

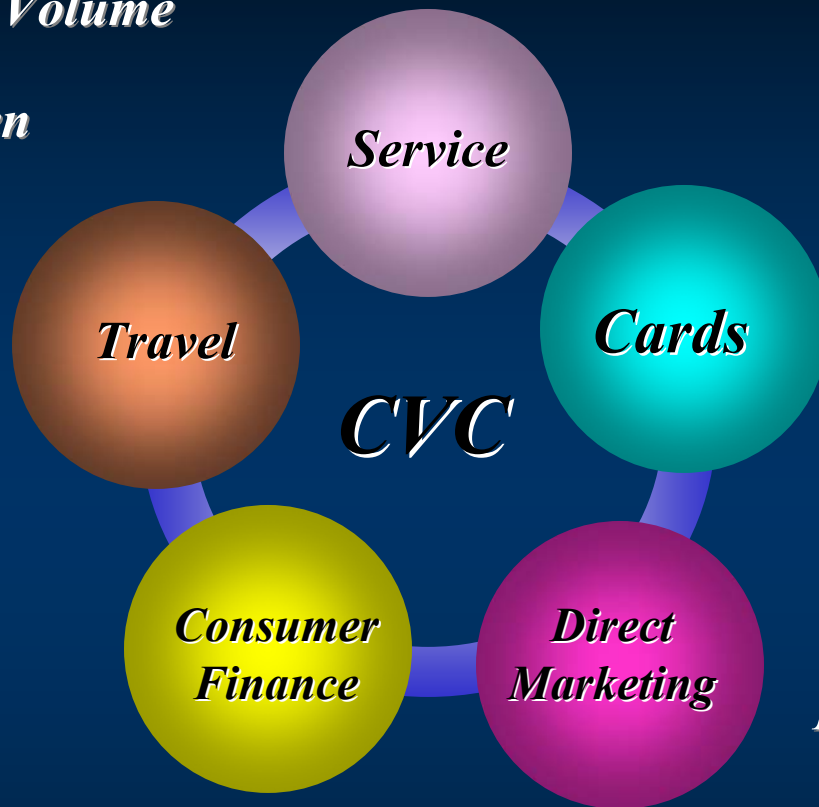
Card Transaction Volume

1,513 Billion Yen



Membership

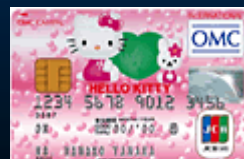
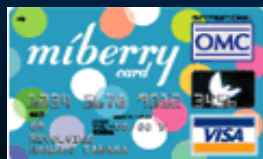
7.19 Million



Card usage rate

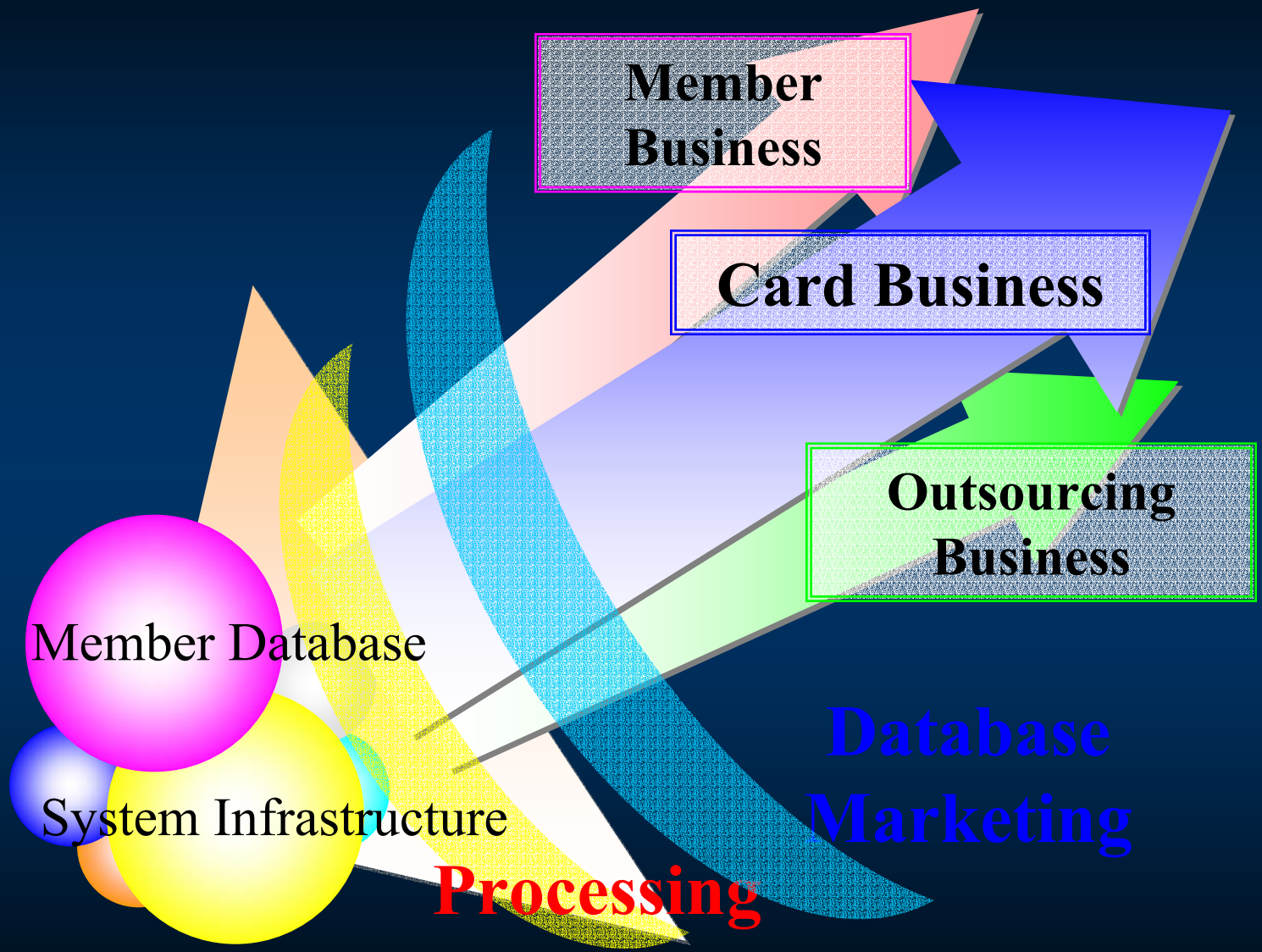
63.4%

Number of invoices issued per month
2.72 million



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The Only One



Ability to Build High Quality Marketing Database

- *Detailed attributes in data -- based on evidence*
- *Accumulation of clean and accurate data*
- *Storage of extremely large transaction data*
- *Monthly communication*

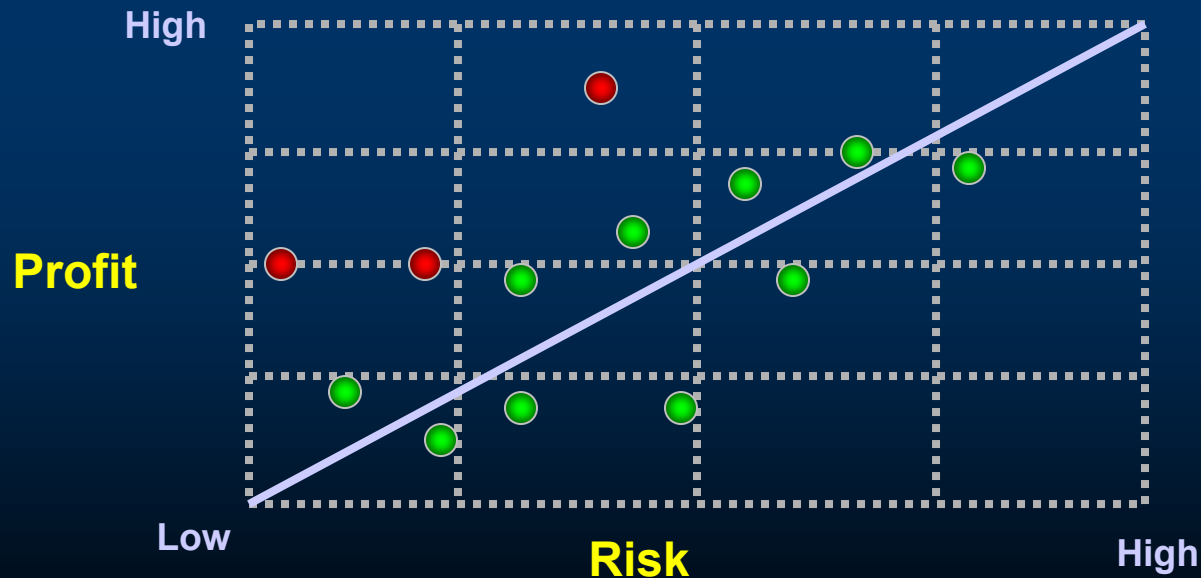
Maximize Profit by Controlling Relative Risk

- *Merging risk management and marketing*

Merging marketing analysis with risk evaluation

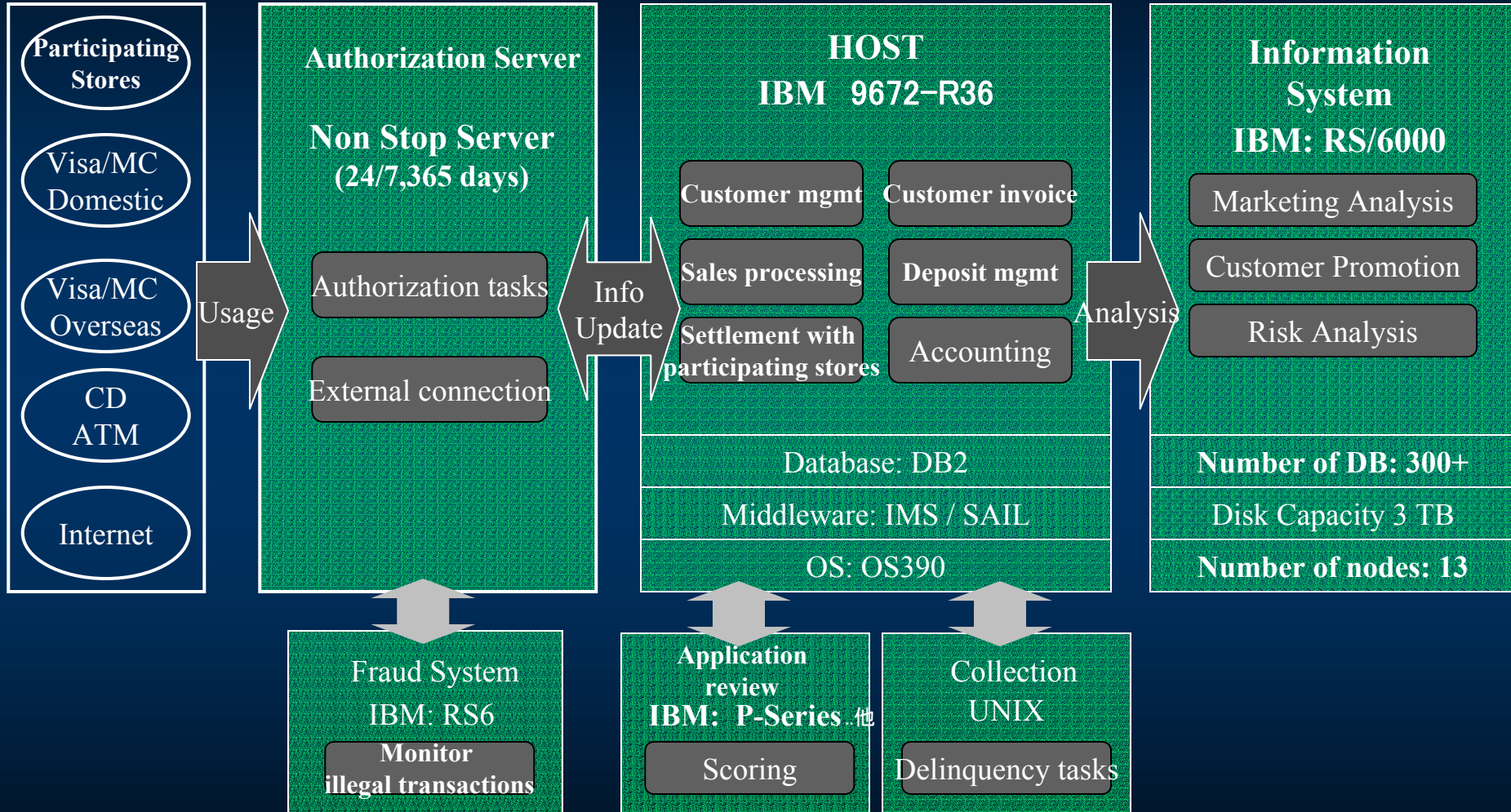
The trade-off between the profit and risk is already proven.

The key issue is whether an appropriate model can be created using profit/risk.

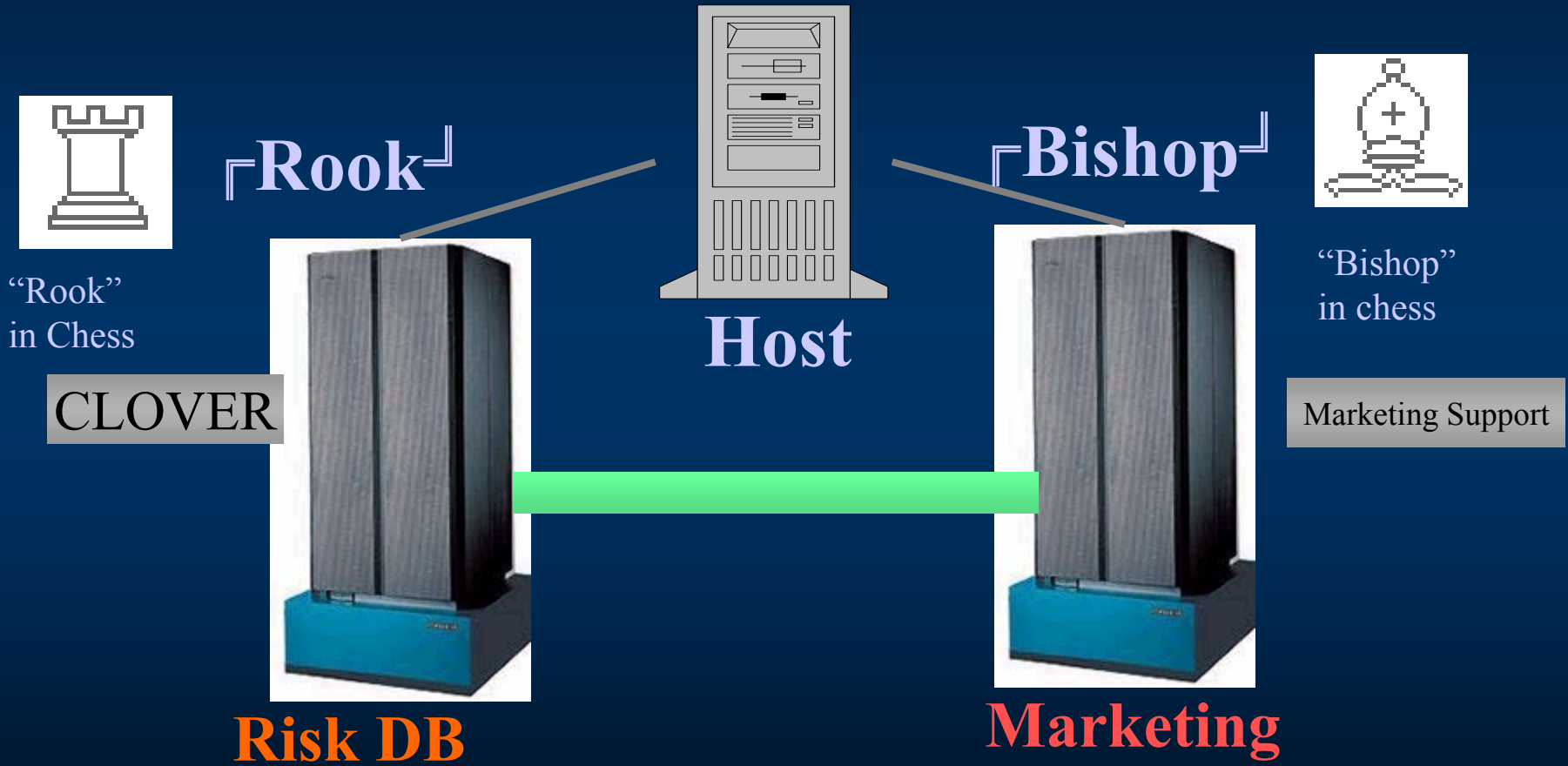


System Overview

Channel available
to members

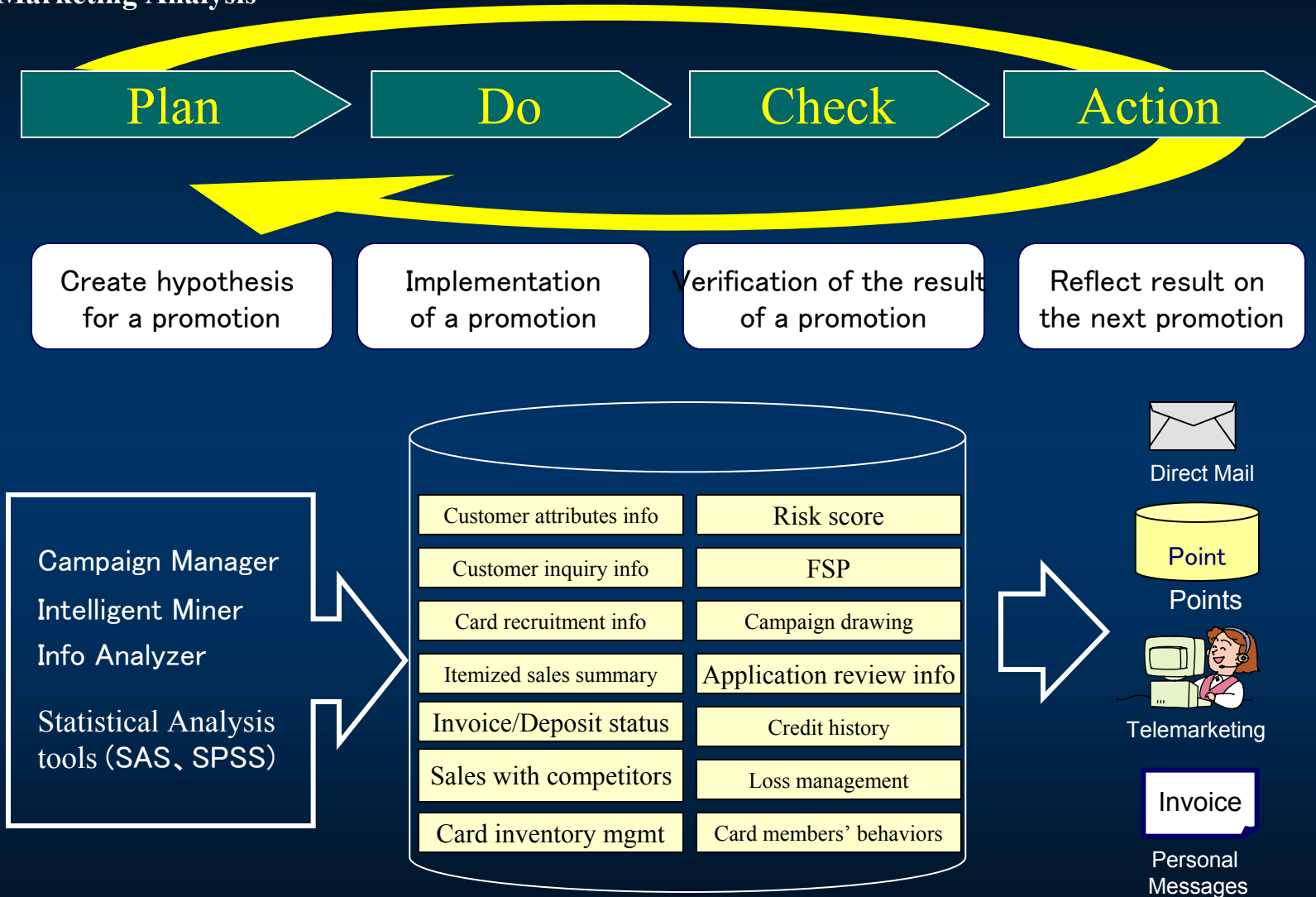


Database



System Overview

Marketing Analysis



Steps for Building a System



Steps for Building a System

Step 0 *Data verification based on 1/10 Model
Marketing System*

Step 1 *Building a marketing database*

Step 2 *Campaign management application*

Step 3 *Marketing tool (mining)*

Step 4 *Marketing tool (communication)
Risk Management System*

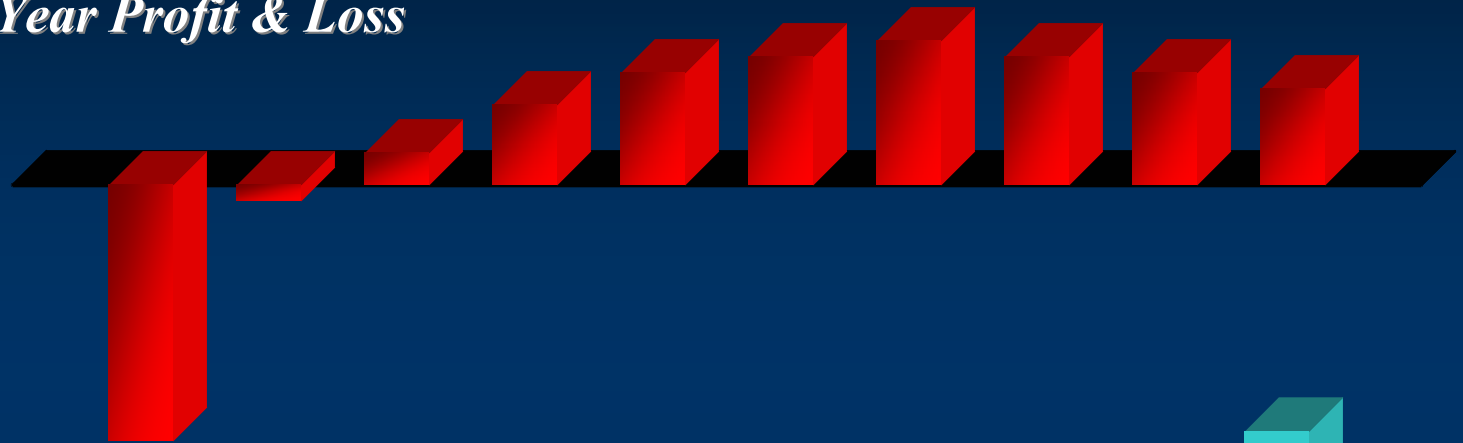
Step 5 *Building a risk database*

Step 6 *Risk management application*

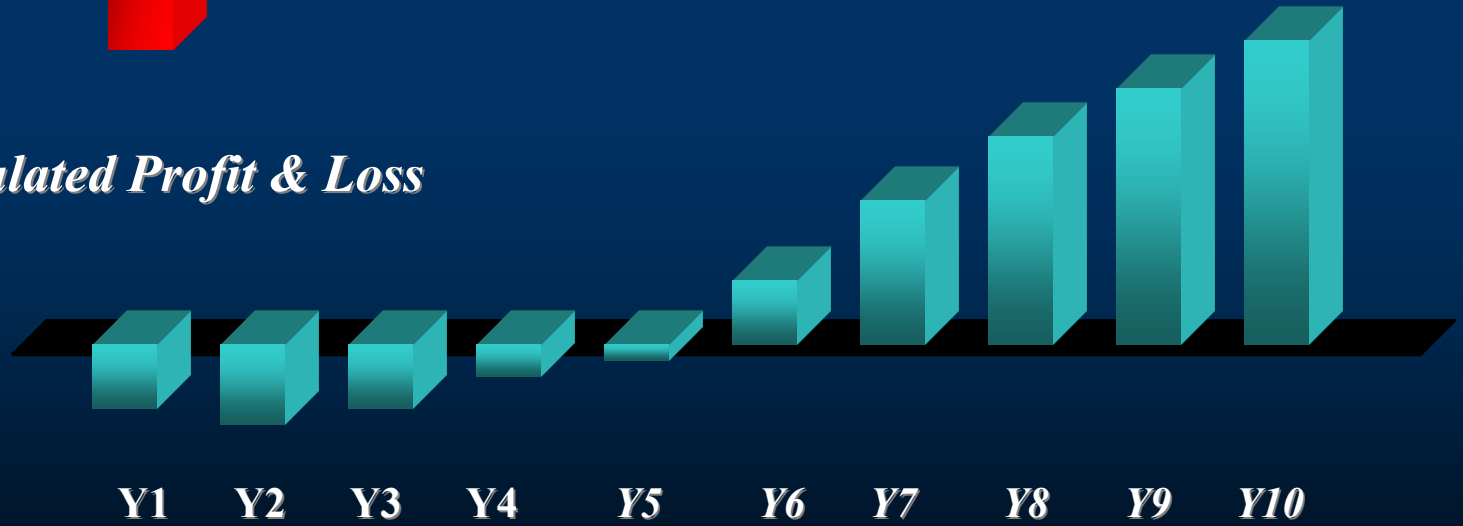
Step 0 Data verification based on 1/10 Model

Lifetime value (10 years)

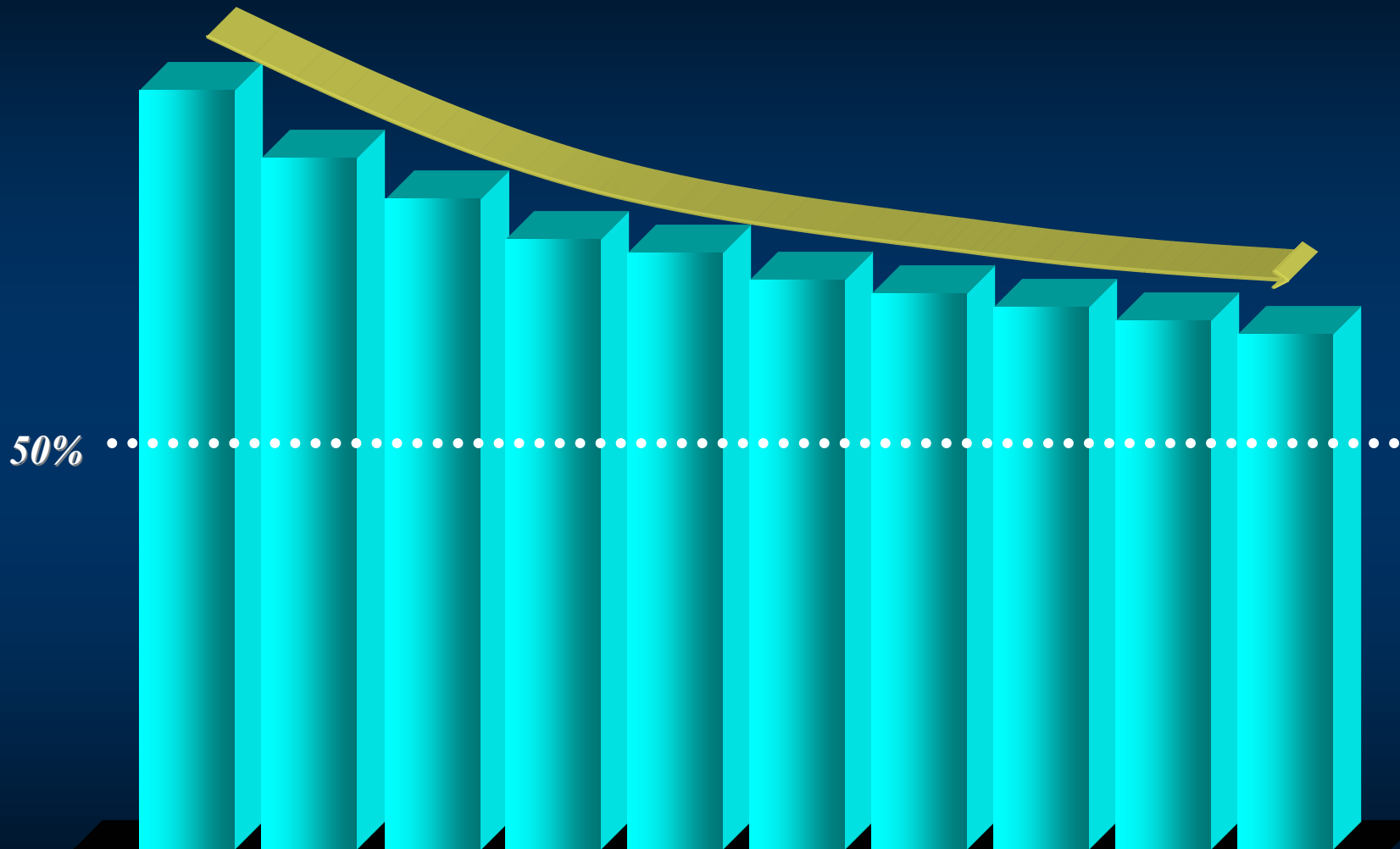
Single Year Profit & Loss



Accumulated Profit & Loss



Step 0 *Data verification based on 1/10 Model*
Customer Attrition



Membership Applications

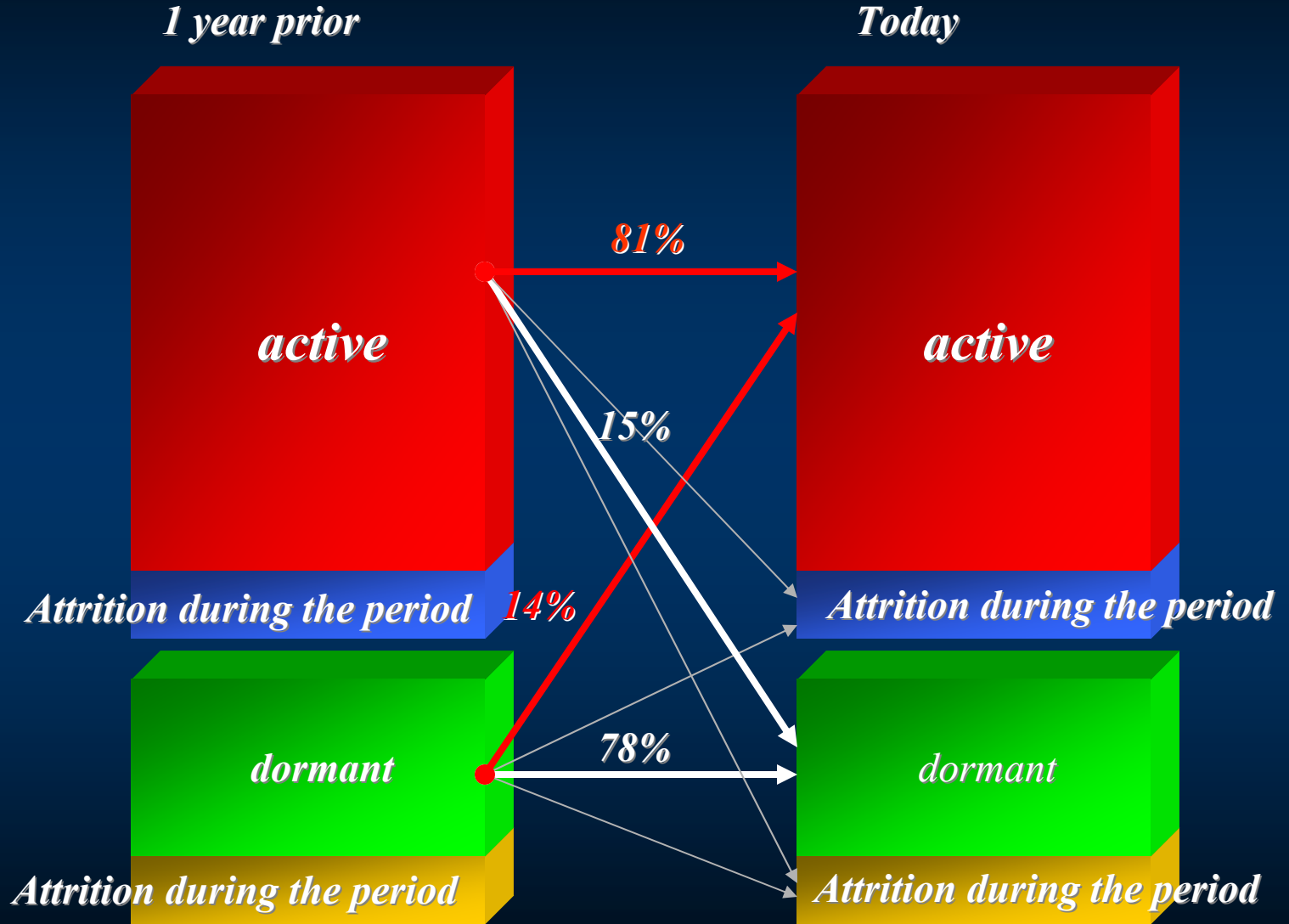
10 years



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Step 0 Data verification based on 1/10 Model

Improvement of retention rate



Cautionary Issues in Building a System



Reduction of development cycle

*Joint development with
IBM Japan Yamato Research Center*

*Full support in order to develop
internal knowledge*

Building a Marketing System

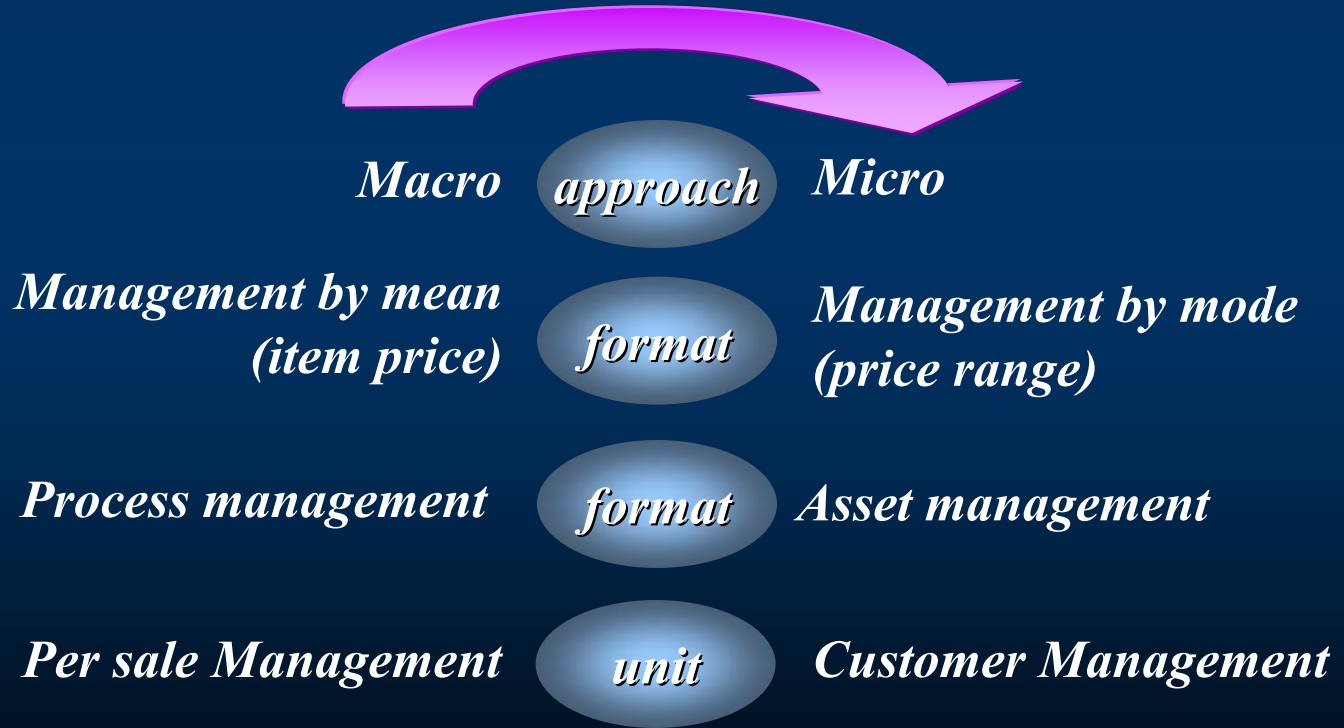
Build DWH

- *Itemized data for 24 months (minimum)*
- *Mechanism for cleaning the data*
- *Delayed monthly data and real time data from the host*
- *MPS management*
- *Management flags for measures*

Cautionary Issues in Building a Marketing System



- *Understanding the membership structure*
- *Changing management*

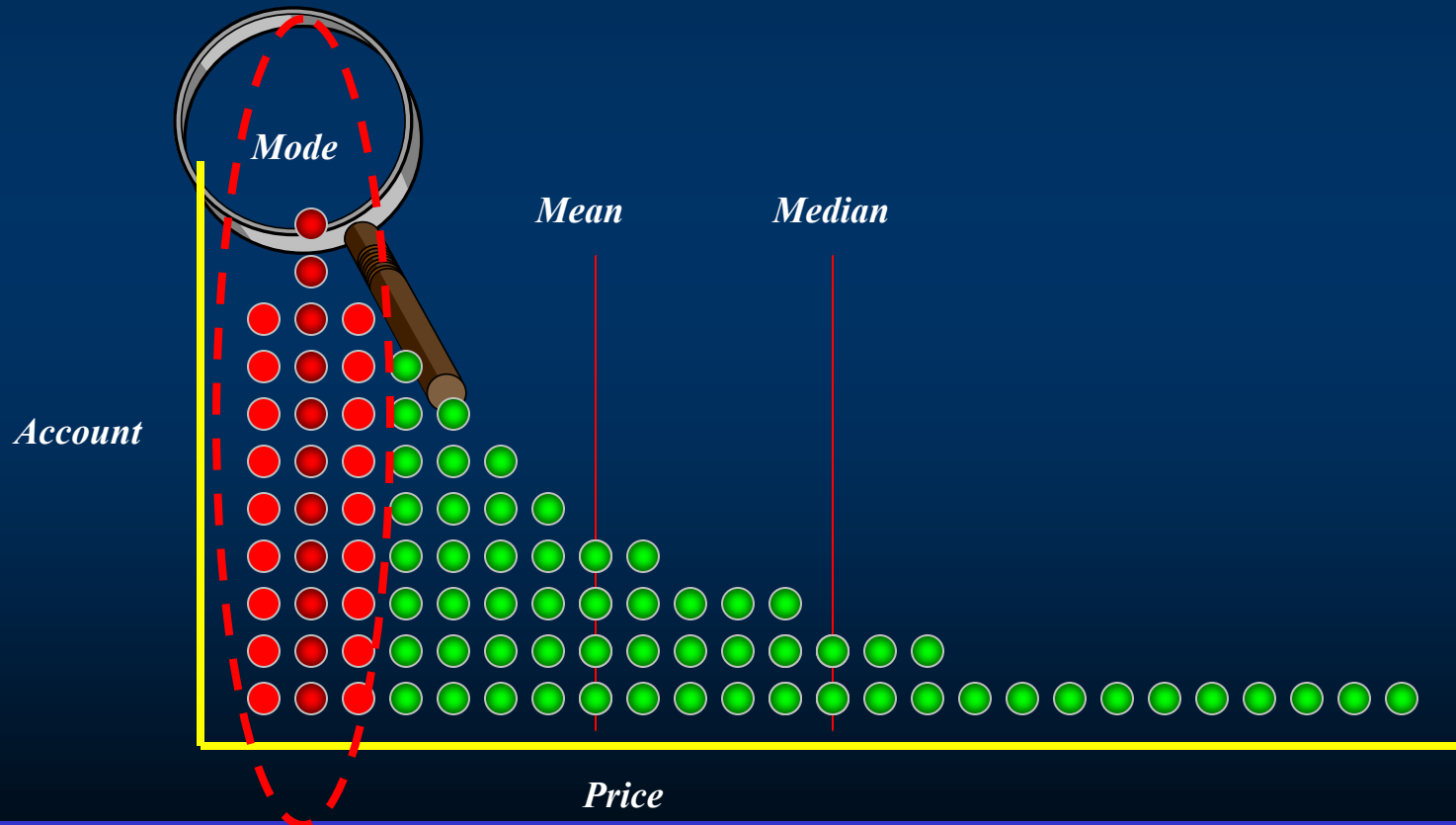


Cautionary issues in building a marketing system

Measured
Marketing

Changing the management

- Move away from management by average -- to management by layers (by segments)--



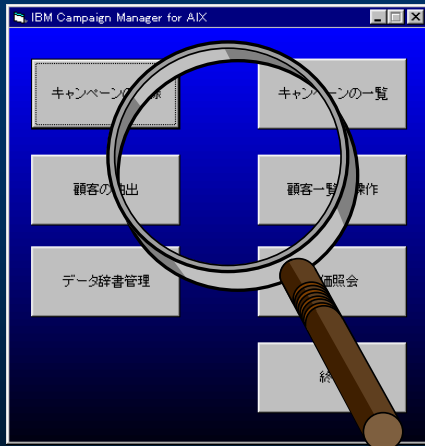
Cautionary issues in building a marketing system

No profit is generated from DWH only

Campaign
Management

- Implementation of a measure: Host interface
- Building a use environment for end users

Campaign management



Customer filtering



Campaign registration



Cautionary issues in building a marketing system

Campaign Management

Understanding the actual effective rate
(Difference between the targeted group and non-targeted group)

Evaluation of campaign effectiveness

トラッキング情報の表示

キャンペーン番号: 98070801 << リストから選択

期間: 12ヶ月前 から 1ヶ月前 まで

OS/CCの選択

OS: CS CC

詳細表示する項目

手帳ナル

支払方法

疑似売上区分

出力項目

金額 件数 人数

表示 キャンセル

顧客一覧の操作

管理

顧客一覧のリスト

作成者	顧客一覧の名前	件数	作成日時
DOMCOR25	D高岡・県内全有効会員	1	1999/05/11 15:55:13
DOMCOR25	D前橋・県内帰属全会員	3430	1999/05/11 15:20:20
DOMCOR25	D開操・全外部利用者	1841808	1999/05/11 12:32:59
DOMCOR25	D開操・D社全利用者	2808796	1999/05/10 18:47:52
DOMCOR11	3月末現在全施策NGリストnew	3045377	1999/05/10 17:48:10
DOMCOR11	5月10日現在DM拒否者カード	52	1999/05/10 17:46:26
DOMCOR25	D開操・DG全利用者	3327881	1999/05/10 17:40:25
DOMCOR13	JCEpdlNG	18014	1999/05/10 17:32:16
DOMCOR13	DM拒否者カード	231	1999/05/10 17:31:03
DOMCOR13	daieNG	2681232	1999/05/10 17:21:59
DOMCOR25	D開操・過去12ヶ月全利用者	2891700	1999/05/10 16:47:26
DOMCOR25	D前橋・県内全有効会員	1039	1999/05/10 15:20:42
DOMCOR23	cc	213837	1999/05/07 18:45:20

キーの交換 個人名寄せ

顧客一覧の操作 顧客一覧の分割

顧客一覧

D前橋・県内帰属全会員

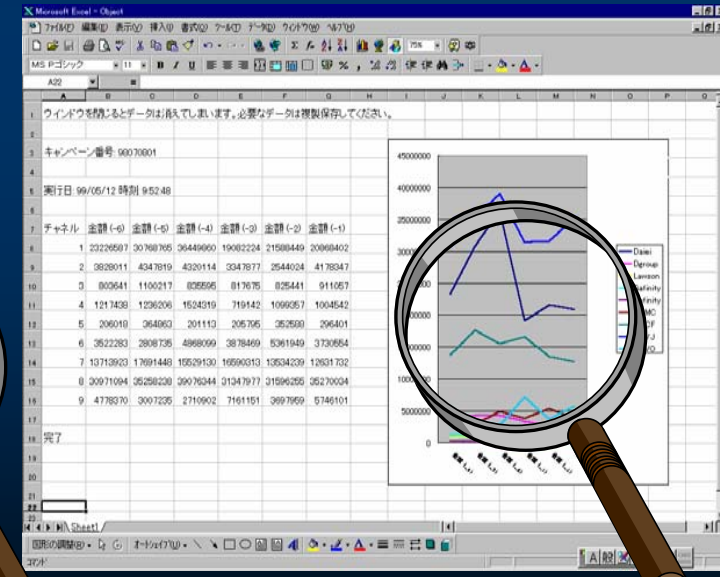
拒否者カード

操作

和 積 差

確認 顧客一覧

キャンセル

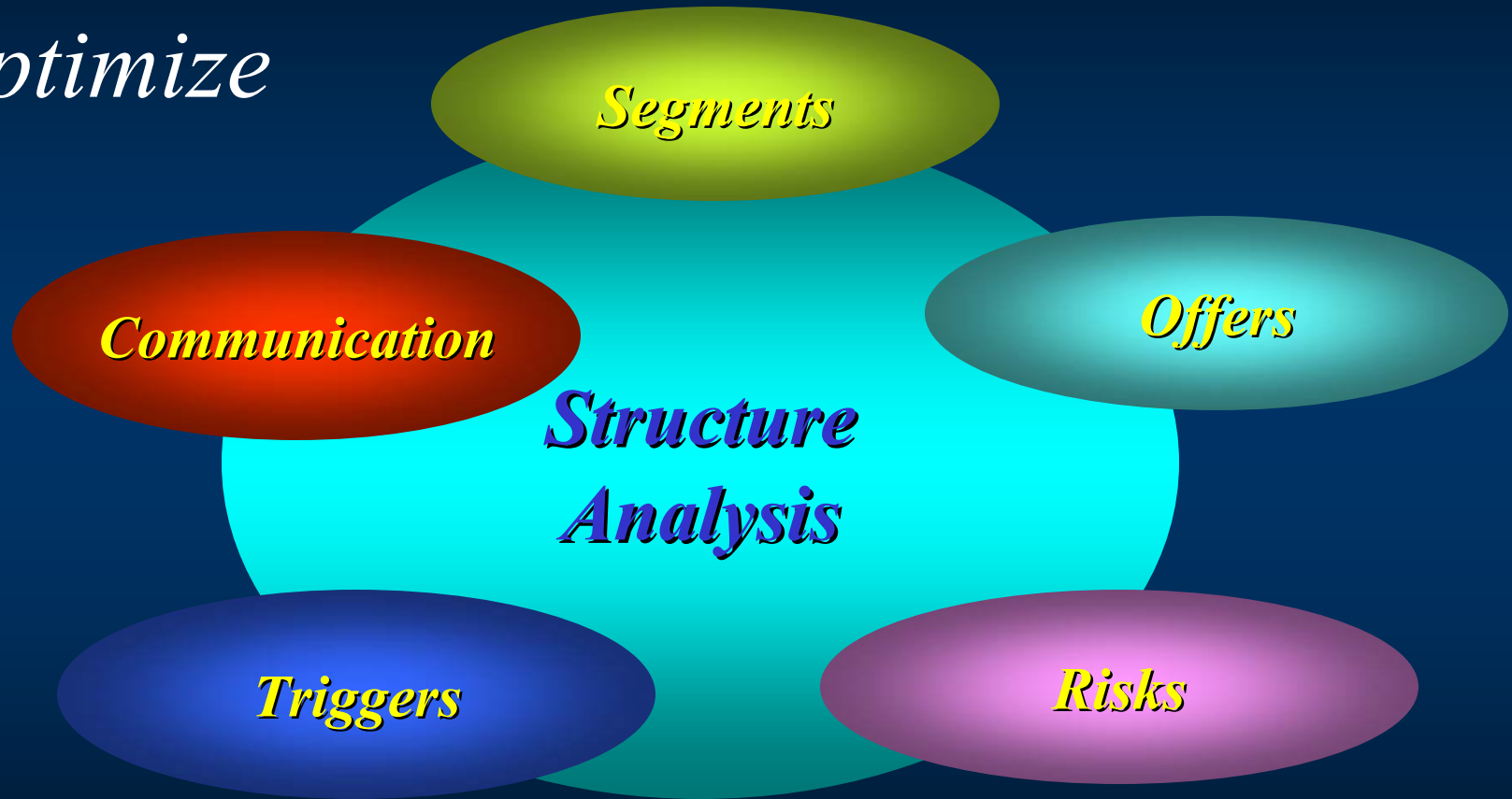




DWH Utilization Examples

Key Points in DWH Utilization

Optimize



Structure Analysis

Customer Rank Management (Decile Analysis)

	Amount Used (in 1000)	No. of months used	Amount per use	CC use rate	Age	No. of years
<i>Rank 10</i>	<i>912</i>	<i>10.8</i>	<i>85</i>	<i>13.2</i>	<i>43.0</i>	<i>5.9</i>
<i>9</i>	<i>421</i>	<i>9.4</i>	<i>45</i>	<i>12.8</i>	<i>42.1</i>	<i>5.5</i>
<i>8</i>	<i>273</i>	<i>8.0</i>	<i>34</i>	<i>12.0</i>	<i>42.0</i>	<i>5.3</i>
<i>7</i>	<i>188</i>	<i>6.9</i>	<i>27</i>	<i>11.2</i>	<i>42.1</i>	<i>5.2</i>
<i>6</i>	<i>132</i>	<i>5.9</i>	<i>22</i>	<i>10.4</i>	<i>42.3</i>	<i>5.2</i>
<i>5</i>	<i>92</i>	<i>4.9</i>	<i>19</i>	<i>9.4</i>	<i>42.4</i>	<i>5.0</i>
<i>4</i>	<i>62</i>	<i>4.1</i>	<i>15</i>	<i>8.7</i>	<i>42.5</i>	<i>5.0</i>
<i>3</i>	<i>40</i>	<i>3.3</i>	<i>12</i>	<i>7.9</i>	<i>42.8</i>	<i>5.0</i>
<i>2</i>	<i>22</i>	<i>2.6</i>	<i>9</i>	<i>7.4</i>	<i>43.0</i>	<i>5.1</i>
<i>1</i>	<i>8</i>	<i>1.9</i>	<i>4</i>	<i>7.0</i>	<i>42.5</i>	<i>4.9</i>
<i>sleep</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>46.3</i>	<i>6.7</i>

Structure Analysis

Customer Rank Management (Decile Analysis)

Card shopping customer ranking (Transaction volume/share)



Optimize Segments

Optimize Offers

Optimize Triggers

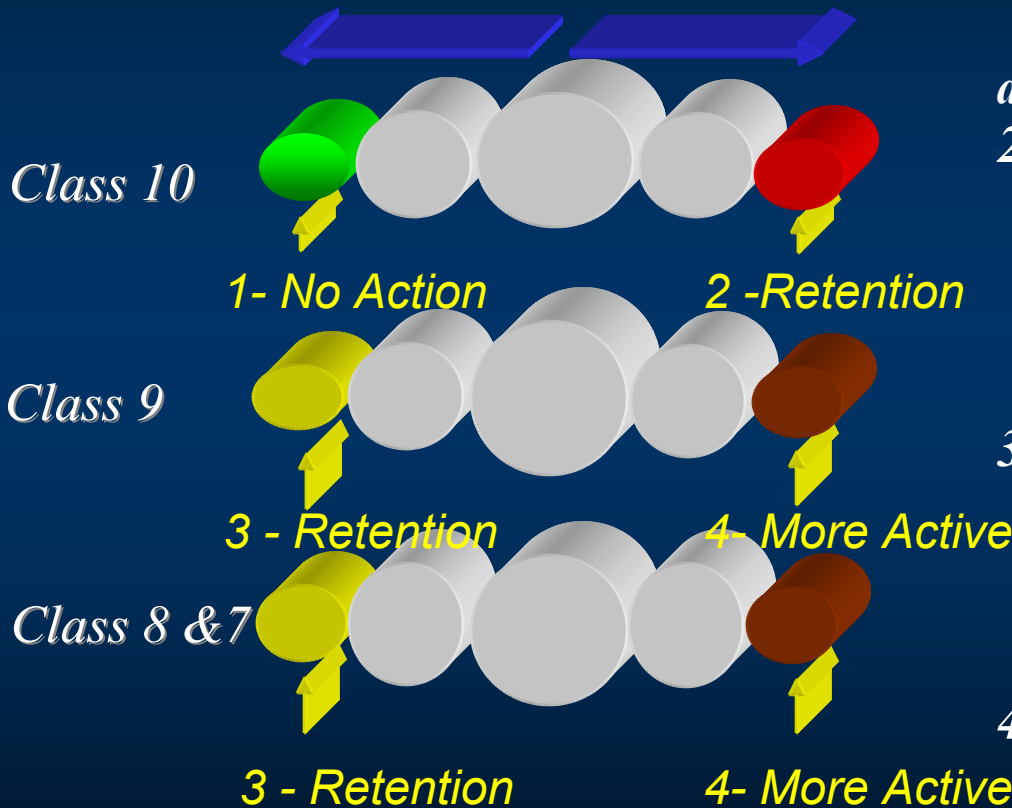
Measure Development Targets

1 - Discover a segment with no cost needed
- will continue to use without any actions

2 - Retention Measure 1
Segments from utilization history
Utilization channels, campaign participation history, changes in attributes or usage, etc.

3 - Retention Measure 2
Segments from utilization history
Specific card types, utilization channels, changes in attributes, etc.

4 - More Active Measures
Segments from utilization history
Utilization channels, number of months used, etc.



*Optimize
Segments*

*Optimize
Offers*

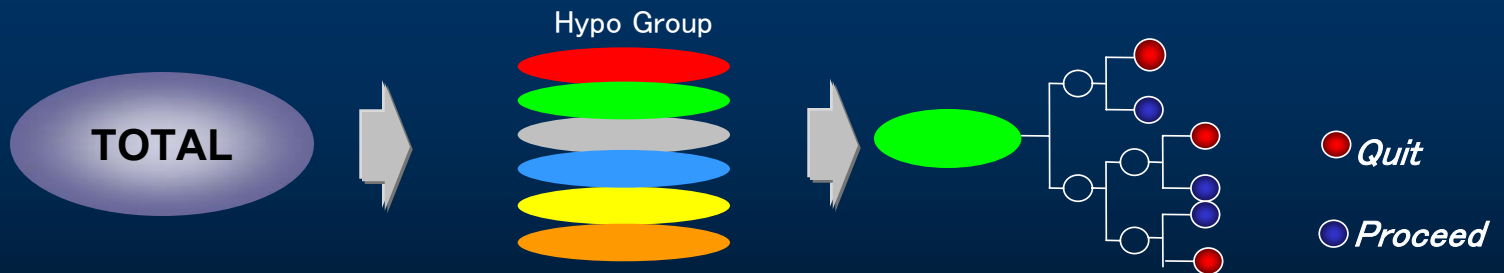
*Optimize
Triggers*

Actual Application of RFM Matrix and Hypothetical Segments

1. Targeted marketing based on RFM matrix and Decision tree



2. Targeted marketing based on Hypothetical segment groups and Decision tree



3. MX type targeted marketing based on RFM matrix and Hypothetical segment groups

*RFM cell codes are the trade mark of Jerico Consulting Inc.



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Optimize Segments

Optimize Offers

Optimize Triggers

More Active Measure Gold Promotion

TOTAL

161,508 Accts
1.5%



R

M		
11	12	13
21	22	23
31	32	33



38,640 Accts
2.4%

No family cards
17,492 Accts
5.2%

Family cards
21,148 Accts
0.1%

Live in Kanto Region
9,611 Accts
6.4%

Live elsewhere
7,881 Accts
3.8%

- Balance 150 K+ 5,113 accts **7.5%**
- Balance 150 K or less 4,498 accts 5.2%
- Other events Over 25 times 536 accts **9.3%**
- Other events 14-24 times 1,077 accts 6.6%
- Other events 7-12 times 1,198 accts 3.8%
- Other events 0-6 times 5,070 accts 2.6%

No. of targeted accounts Response rate

RM00=>	123,456%	0.8%	o
RM11=>	38,640%	2.4%	o
RM12=>	44,125%	1.2%	x
RM13=>	9,921%	0.9%	x
RM21=>	8,482%	2.4%	x
RM22=>	19,124%	1.3%	x
RM23=>	11,209%	1.0%	x
RM31=>	3,410%	1.9%	x
RM32=>	7,039%	1.5%	x
RM33=>	11,947%	0.9%	x

19,124 Accounts
1.3%

No family cards
11,111 Accts
2.1%

Family cards
8,013 Accts
0.1%

CC Use present
535 Accts
2.8%

CC Not used
10,576 Accts
1.8%

- Live in Kanto Region 283 accts 13.3%
- Live elsewhere 252 accts 0.0%
- 3rd year member 319 accts 9.3%
- 3+ year member 1,257 accts 1.6%

*RFM cell codes are the trade mark of Jerico Consulting Inc.



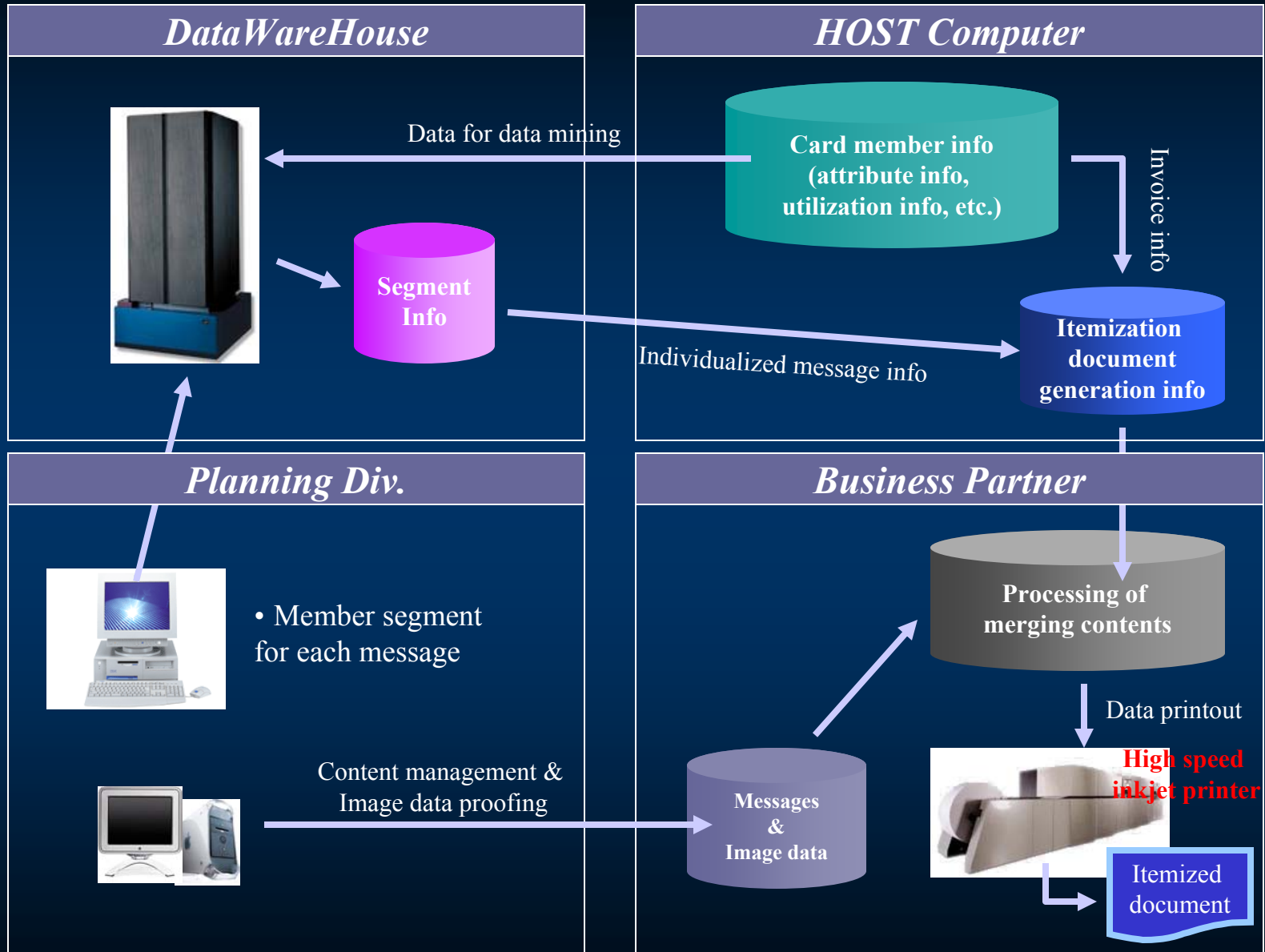
***Optimize
Communication***

***Personalized Statement
Messages***

- ***Distribution of customer communication
(delete unnecessary messages)***
- ***Minimize the marketing cost***
- ***High rate of opening the invoice***
- ***High rate of visual recognition of the invoice***

Itemized list of usage > Billing insert

Conceptual Figure of Personalized System



Optimize Risks

- *The operation of card business is highly dependent on the profit from cashing. The profitability of new marketing for shopping is low and creates concerns for decreased operation efficiency.*
- *Structure of financing and credit risk is carried by good customers.*
- *From the absolute risk management to the relative risk management*
- *Appropriate risk management*

Clover Concept

~1995

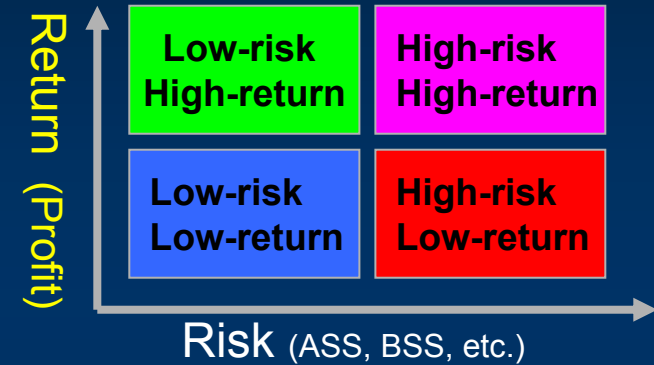
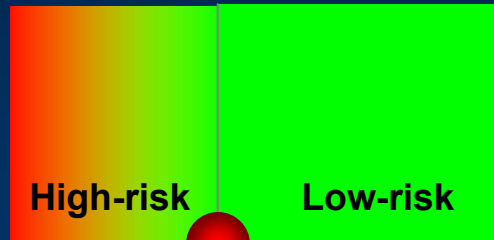
~2000

2001 ~

Flat rate
credit granted

Absolute risk
management

Relative profit/loss
management



Give appropriate credit based on the customer's credit

Give appropriate credit based on the customer's risk/profitability

- (1) Sufficient credit to low-risk members
- (2) Control credit to high-risk members

- (1) Low-risk High-return
→ Early extension of credit, substantial services
- (2) Low-risk Low-return
→ Appropriate credit, reactivate
- (3) High-risk High-return
→ Respond to operating strategy
- (4) High-risk Low-return

→ Reduce credit, Remove credit line

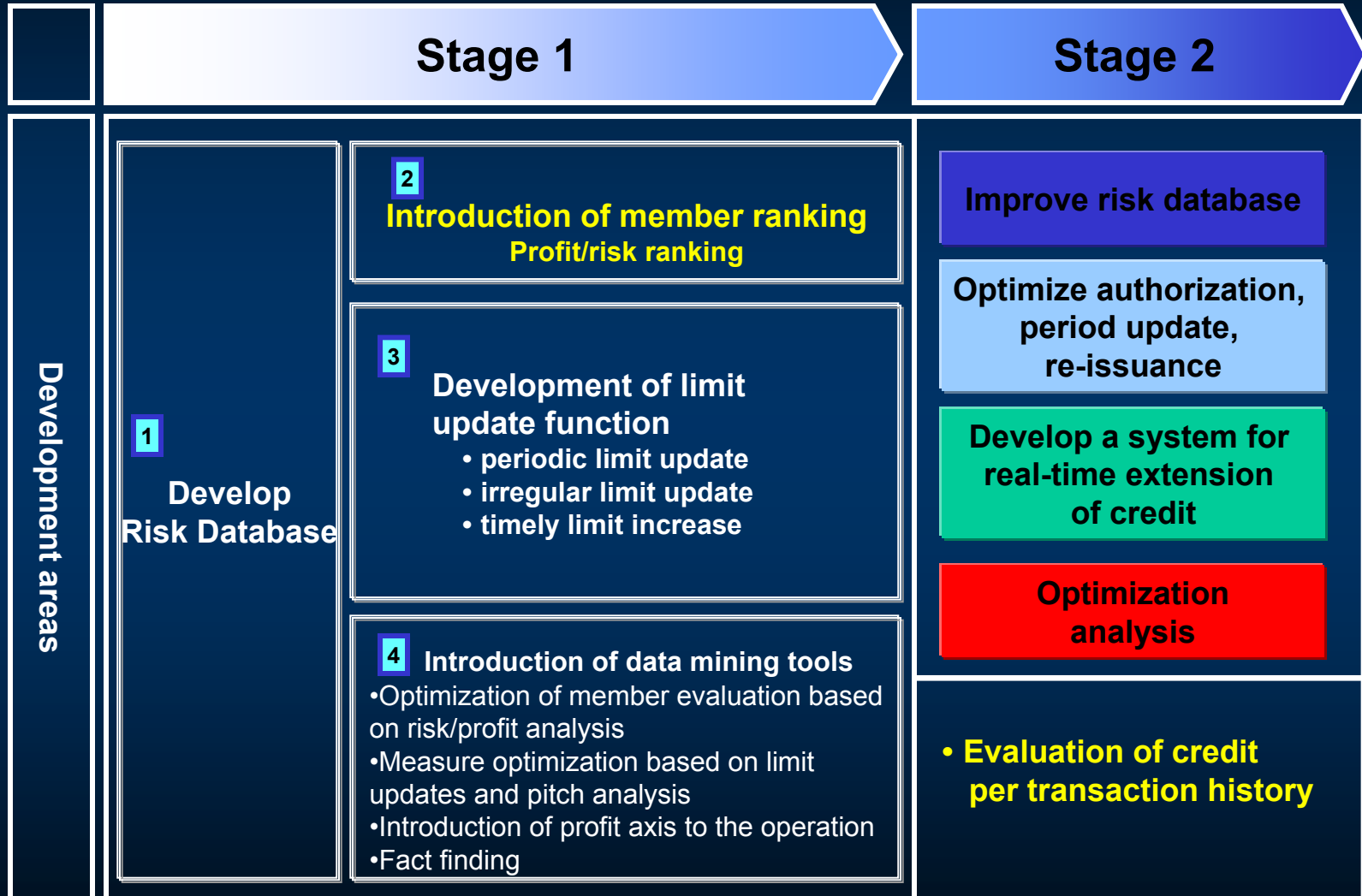
Experience
&
Intuition



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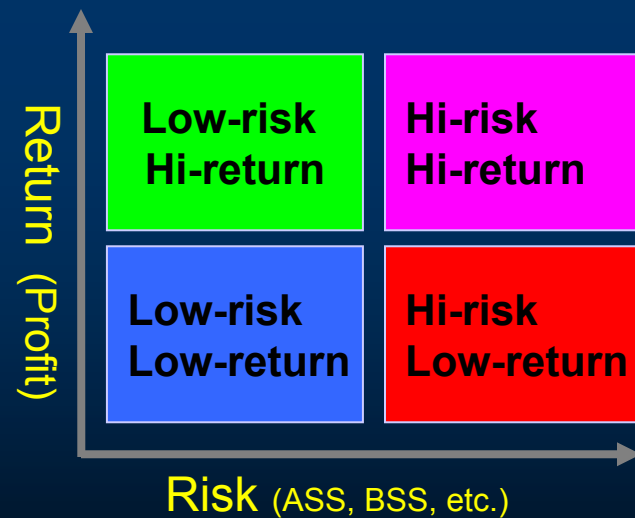
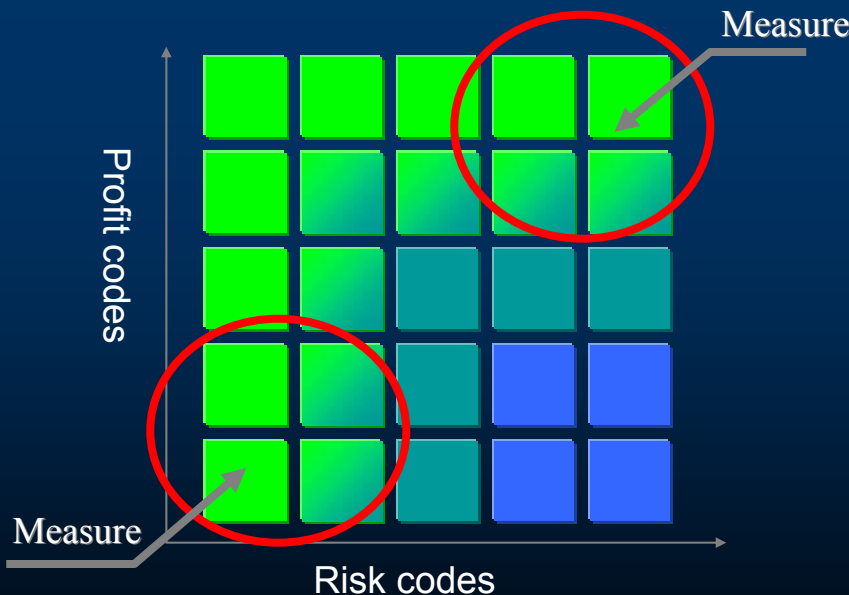
Clover Risk DB Utilization Model

System Overview (Function development steps)



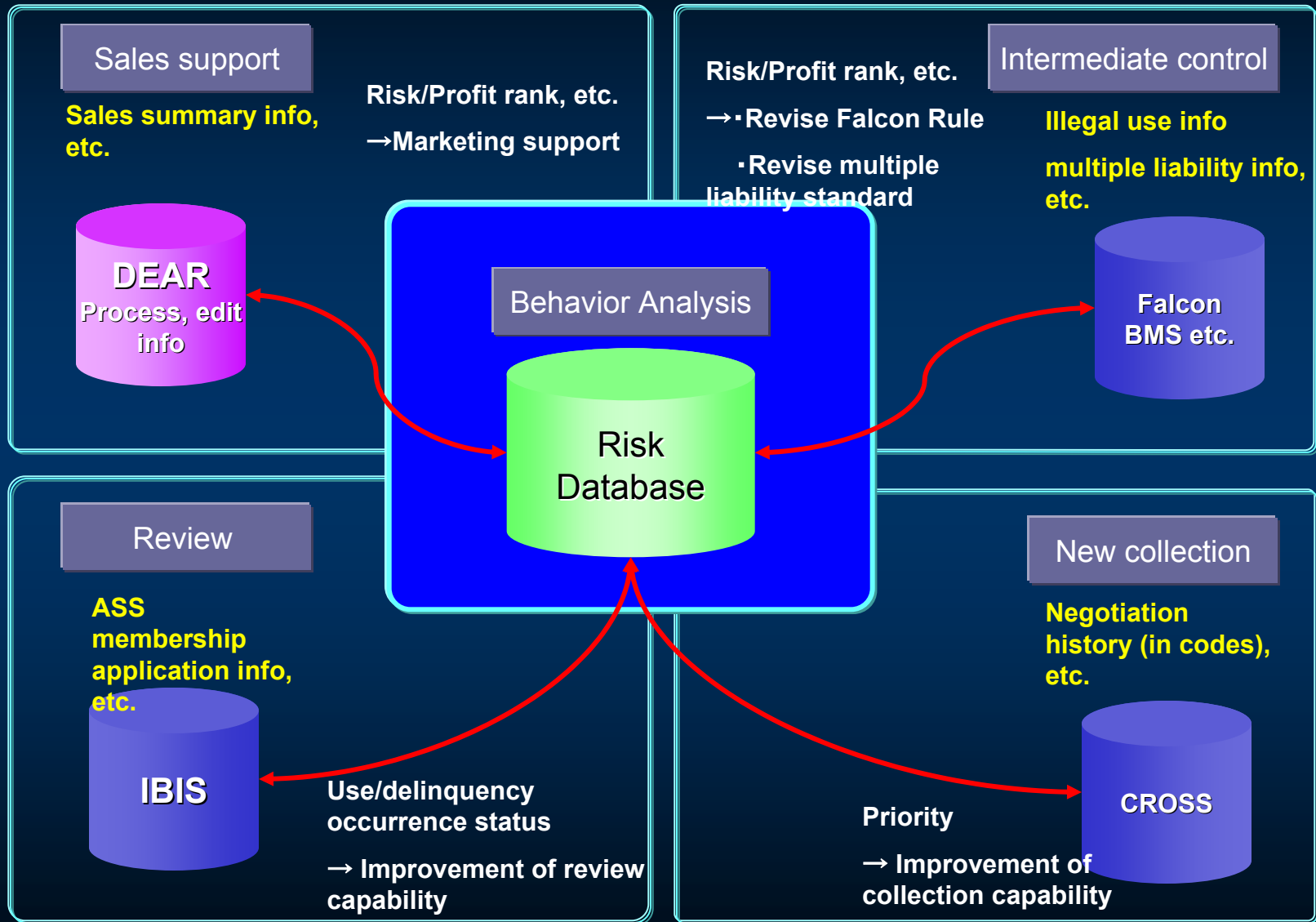
Details of Customer Management Flags

	Code system	Update timing	Update method	Save history	Purpose of use
Intermediate mngmt codes	00~XX	Once a month	auto	Yes, 1 yr	Risk Class
Member class codes	00~XX	When implemented	auto	Yes, 1 yr	Profit Class
Measure mngmt codes	00~XX	When implemented	manual	Yes, 1 yr	Measure mngmt
Update pitch codes	00~99	Once a month	auto	No, -----	Update pitch



Risk Database Utilization Model

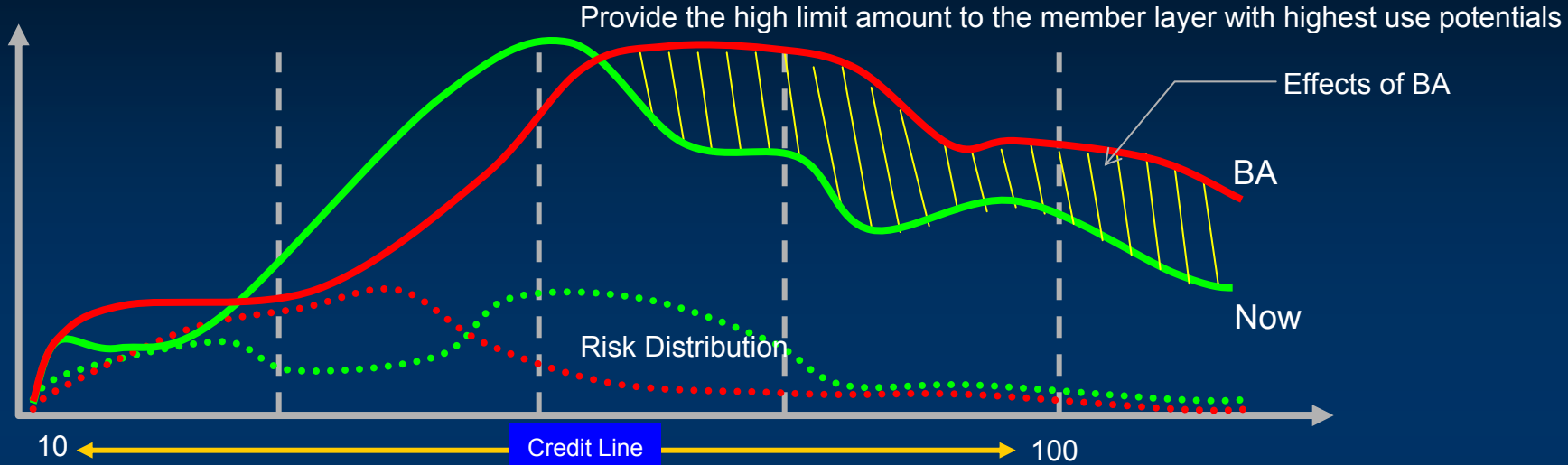
Organic/Interactive Use of Information



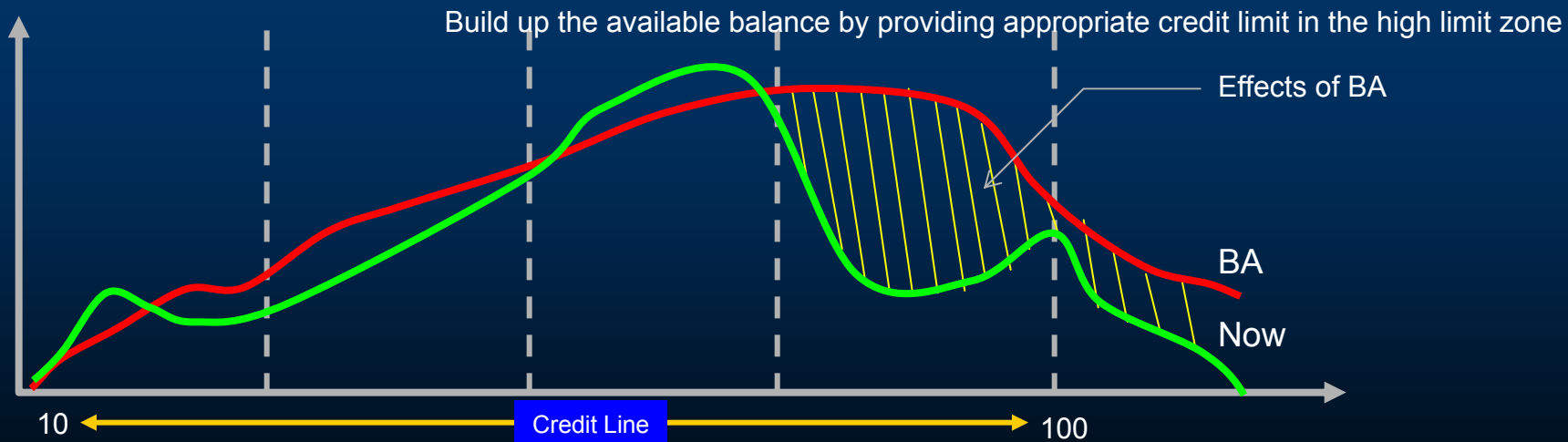
Optimization of Limit Amount

While maintaining the current risk occurrence rate, maximize the utilization and minimize the loss associated with the utilization opportunities.

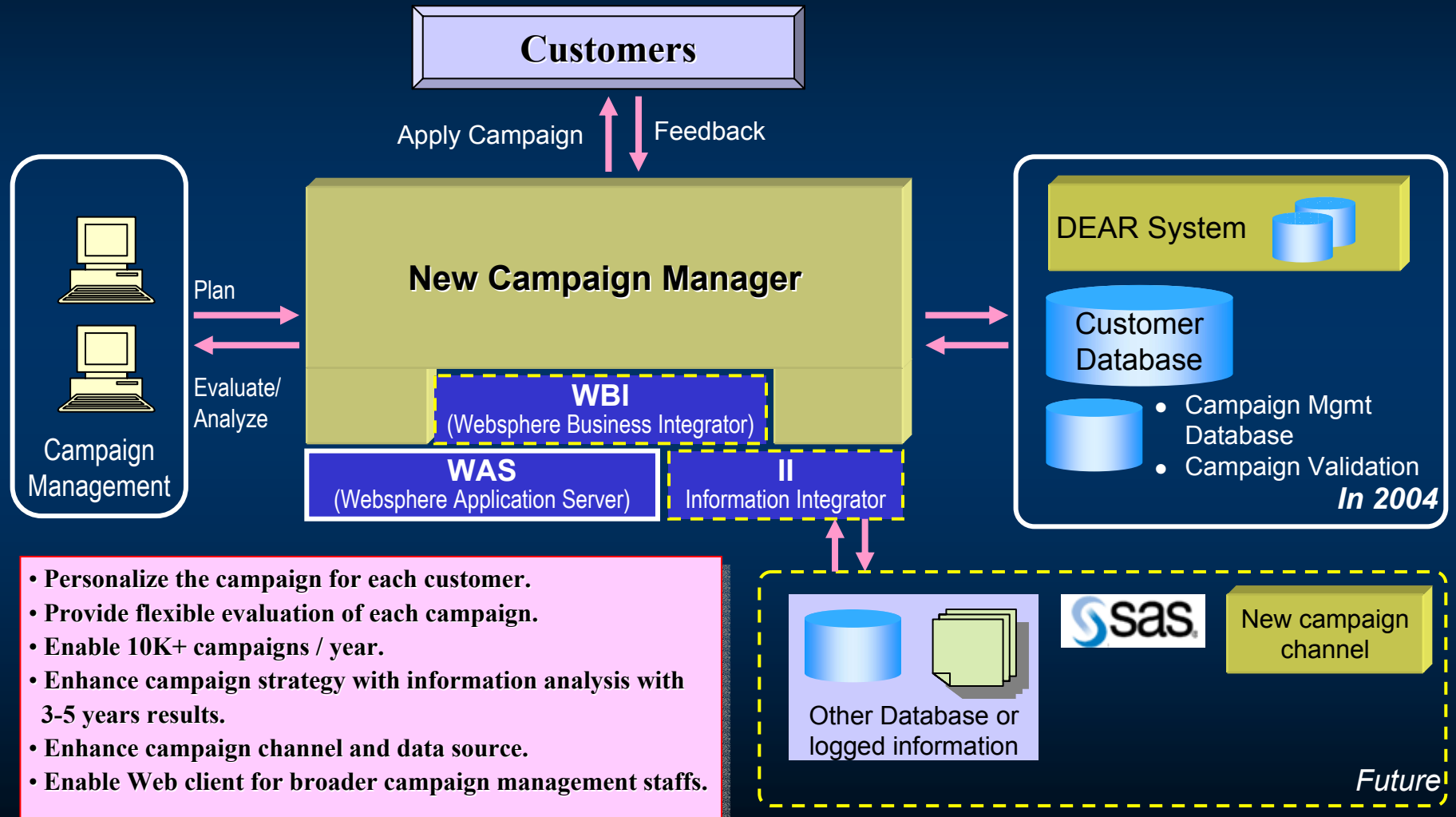
Distribution of limit amount / # of members



Distribution of limit amount/available balance



New Campaign Management System (Projected plan in collaboration with IBM currently in Phase I – engineering design)



- Personalize the campaign for each customer.
- Provide flexible evaluation of each campaign.
- Enable 10K+ campaigns / year.
- Enhance campaign strategy with information analysis with 3-5 years results.
- Enhance campaign channel and data source.
- Enable Web client for broader campaign management staffs.