

Canadian Tire EarlyDetection System

Leading Canadian Card Issuer Reduces Early Account Delinquency Rates and Charge-Off Balances Using ALI Solutions' EarlyDetection System™.

Background

Canadian Tire is a large Canadian retailer that issues Canadian Tire branded MasterCards and unsecured personal loans through its bank. These credit cards are used in their 475 store locations throughout Canada, as well as at other merchants. Canadian Tire Bank was challenged by higher write-off rates among new accounts and their average balance at default was also increasing among the new account population. Because Canadian Tire is a retailer as well as a card issuer it is important to them to extend credit to as many creditworthy customers as possible, so they were looking for tools and solutions that would help them continue to meet their new account goals, while better differentiating risk during the early life of an account. Traditional risk or behavior scores take at least 30 to 90 days to mature and provide a high degree of predictive value, and Canadian Tire Bank found that waiting until the account cycles into delinquency after 30 days of usage severely restricts or eliminates the impact of any balance control strategy. As a result, Canadian Tire Bank was looking for an innovative way to assess risk within the first month that a new cardholder was on the books.

It was also important to Canadian Tire Bank to get to market quickly with a solution that did not place a heavy burden on its IT resources.

Goal

Canadian Tire Bank's goal for this initiative was to improve delinquency rates and lower charge-off balances in their new account population.

Solution

To achieve this goal, ALI Solutions ("ALI") and TSYS partnered together with Canadian Tire Bank. Together the team designed the strategy to leverage a first day risk score that utilizes transactional data and application data. This score would be calculated prior to the account's first cycle date, which would enable the Canadian Tire Bank Collections team to proactively deploy customer treatments to manage the balance growth of new accounts. The solution is based on the ALI's EarlyDetection System™ and is hosted on the TSYS TS2 card processing platform.

The EarlyDetection System drives rapid scoring of new accounts, decreasing the traditional assessment gap between the origination period and the generation of behavior or other account management scores. An industry first, this solution aggregates traditional and non-traditional data sources to determine the credit risk and/or fraud risk of new accounts, as early as the first day of transactions.

Paul Narciso, Manager of Collections Strategy for Canadian Tire Bank, and project champion for the initiative said, "We chose to work with ALI to leverage their expertise in early life scoring, and having our core processing partner, TSYS, host this solution made us confident that the project would be implemented quickly and trouble-free."

The solution was a holistic, integrated approach which included all of the following components:

- Scorecard and constraint development
- Advanced decisioning platform for account scoring and policy rule assignment
- System integration into the collection system platforms that execute the collection treatment strategies

"Combining the effectiveness of ALI's EarlyDetection System with the flexibility of the TSYS deployment platform gives us a lot of opportunity to scale beyond the initial decision area we started with. We were able to deliver the results we expected. I look forward to continuing to leverage this program to mitigate risk and proactively manage our customer relationships."

— Paul Narciso,
Manager of
Collections Strategy
Canadian Tire Bank



Dynamic Decisioning. Unleashed.™

ALI utilized its EarlyDetection System, which included a preemptive risk model based on Canadian Tire's data to score new accounts based on their first day of transaction activity. It was designed to predict cardholders that would never pay or roll straight through into collections. Early detection of high-risk accounts prior to delinquency enables Canadian Tire Bank to deploy proactive strategies to control the average write-off balance. Canadian Tire Bank uses TSYS for its credit card processing platform, and having TSYS host the solution made the implementation much simpler and less costly, with fewer requirements on the Canadian Tire Bank IT team. The integration of the EarlyDetection System made the training, ongoing execution and utilization of the new scores easy for Canadian Tire Bank to effectively enhance their collections strategies, while limiting their impact to current operating procedures.

Each night, all new accounts with first time purchase activity that day are scored using the EarlyDetection System. High-risk accounts are blocked for subsequent purchases. When a cardholder calls into Canadian Tire Bank to inquire about the block on their account, they are routed to a collections team trained to handle preemptive risk calls for these early life, higher-risk accounts. Cardholders are then engaged in an educational conversation ensuring that they are in fact in receipt of their card, that they understand the terms of the payment agreement, when they'll be billed, and when their first payment is due. Based on the outcome of the call, the collections agent either removes the block on the account, or keeps the account blocked, until a payment is received.

Results

Canadian Tire Bank has seen positive results and has achieved what they set out to do both in terms of lower delinquency rates and reduced charge-off balances among the new account population. The results achieved to date are seen below:

Measure	Results Versus Control Group
31 + DPD Rate (#)	22.6% improvement
31 + DPD Rate (\$)	31.0% improvement
C/O Rate (#)	4.5% improvement
Avg. C/O Balance (\$)	13.7% improvement

In addition, Canadian Tire Bank has monitored customer attrition rates and has seen no noticeable increase in customer attrition as a result of the preemptive collection calls happening as part of this program. Canadian Tire Bank is planning to expand the program and is currently exploring using the solution in other areas. For example, they are considering how the early life risk scoring can be applied to reward customers who score low risk, perhaps by increasing their credit limits.

About ALI Solutions™

ALI Solutions provides event-based analytic decisioning applications that empower consumer financial services organizations to preemptively manage risk and improve profitability. ALI's solutions automate the fusion of transaction data with third party data sources to dynamically execute credit, fraud and collections policies that solve immediate business problems while easily adapting to future industry challenges. For over 16 years many of the world's most successful companies throughout North America, the United Kingdom and the Asia Pacific region continue to choose ALI because its applications are proven to help businesses mitigate losses while delivering millions of dollars in bottom line benefit.

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