

**Boire Filler Group**



# Case Study Library

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## **Acquisition Model - Creditors Insurance Acquisition Program**

**Date:** March 2009

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## Company profile

The Client is one of Canada's largest and longest-standing retailers. This Company is also one of the country's largest store brand credit card issuers.

## Business challenge/situation

For a number of years, this Client regularly sent offers of a Creditors Insurance product to its base of cardholders. Creditors Insurance provides the policyholder protection from outstanding Credit Card balance liability in the event of Death. Each month, eligible cardholders were solicited for this product.

To optimize the costs associated with selling the product to its Cardholders, the Client had developed a predictive model to identify customers most likely to purchase the product. Upon implementation however, results produced by the model did not meet business objectives. In an effort to improve results and meet program objectives, BFG was asked to develop a new model.

## Solution

Focusing on "enrollment in the product" as the behaviour to be predicted (the "objective function"), BFG built a new predictive model (equation). Multiple Regression routines were used to determine the optimal combination of variables in the dataset that best predicted enrolment. The outcome was a regression equation that could easily be implemented, evaluated and updated on an ongoing basis.

This technique enabled BFG to assign a score to each Cardholder and rank them from most likely to purchase the Creditors Insurance product, to least likely to purchase the product.

## Key Benefits

**BFG's model significantly outperformed the targeting tool previously used.**

Without applying the model, average response rate among Cardholders was 1.5%.

Applying the model, the Client could select:

- Top 25% of ranked names producing an average response of 3.3% (a 110% lift)
- Top 50% of ranked names producing an average response of 2.4% ( a 55% lift)

Implementing the new model, the Client achieved the following results:

- Average response: 3.25% (versus 1.5%)
- Total Sales: 3,250 new sales versus 1,500

***Acquisition of the same 3,250 new sales without the BFG model would have cost the Retailer an additional \$190,000 (1,750 sales @ \$109 per sale)***

- Cost per sale: \$52 versus \$109
- Average monthly profit per sale: \$4.20 versus \$2.20
- # of months to break-even: 12 versus 50