



SubscriberWise® creates a valuable niche in the cable TV industry using reliable behavior scoring from FICO® 8 Score

success story: scores



Client	SubscriberWise, a Massillon, OH-based, credit risk management company servicing 21 cable operators with systems in 29 states
Challenge	Create a reliable and highly predictive credit prequalification service for cable television operators without compromising growth and selling opportunities
Solution	FICO® 8 Score
Results	Average return on investment of 2,000% for SubscriberWise customers; 38% improvement in scoring customers with limited credit history; improved precision and predictability from upgraded scorecard segmentation variables; seamless upgrade from previous FICO® Score

SubscriberWise®

Risk Management Solutions for the Cable Industry

“We are very good at making an accurate assessment of a subscriber’s qualification, but we could not do it alone. FICO technology is critical to that success.”

— *David Howe,*
President, SubscriberWise

At Massillon Cable, bad debt and equipment losses were becoming a huge problem. The Massillon, OH-based company was experiencing substantial capital losses in programming and equipment write-offs month after month.

Massillon Cable wasn’t the only cable operator experiencing capital losses due to bad debt: Industry wide, it’s estimated that cable operators lose an average of 4% of revenue to such losses—losses that could be significantly mitigated through more rigorous vetting of consumer credit when new accounts are created.

With no industry solution or best practice available, Massillon took matters into its own hands, building an analytics-based subscriber risk management system from scratch. Massillon later spun it off as SubscriberWise, an independent service provider for the cable industry. SubscriberWise’s service incorporates the FICO® 8 Score as a leading component of its SubscriberWise Decision Management System.

Delivering an industry first with a FICO® Score

“Today most cable operators are blindly approving their prospective subscribers,” said David Howe, President, SubscriberWise.

“Before SubscriberWise, operators had no way to know if subscribers were in a financial crisis when they called the office and requested a Triple Play with a DVR and every premium offering. And there was no way to verify identity information quickly and accurately to detect contradictory information like parental identity fraud or use of bogus SSN’s,” said Howe.

“The absence of risk analysis in this process, combined with higher programming costs and expensive inventory, is the main reason cable operators are struggling under so much bad debt and fraud. We made the decision to mitigate this risk by prequalifying subscribers on the front end rather than respond with unsuccessful collections on the back end,” he continued.

With its initial launch, SubscriberWise became the first licensed Issuing Credit Reporting Agency approved in the United States by one of the big three credit bureaus to utilize its consumer credit report as well as the FICO® Score. Combined with its deep cable industry expertise and 10 years worth of customer performance metrics, these services allowed it to build a proprietary credit decision analytics system. The system would empower customer service reps to instantly respond to consumer payment behavior with appropriate options for every subscriber. With SubscriberWise, no

subscriber request is never denied because of credit risk factors.

"We provide incredibly accurate predictions about subscriber credit risk," said Howe, "but we could not do it alone. FICO technology is critical to that success."

The FICO® Score is a critical component of SubscriberWise's decision analytics system, allowing it to risk rank customers based on their credit history and predicted future behavior. It is especially useful in making decisions for customers with very low or very high scores.

"For prospective subscribers with especially low or very high scores, the weight of the FICO score alone is all that's needed for our decision engine to calculate a risk level," said Howe. "We've validated the accuracy of these low and high FICO scores with years of cable-specific performance data. Our analysis of these scores gives operators a precise risk level to identify their highest risk subscribers to ultra-high achievers that will rarely have a single late notice over a multi-year payment history."

Upgrade to FICO® 8 Score resolves higher number of 'new to credit' subscribers

While the solution was performing just as designed, SubscriberWise recognized an important concern for operators: improving decision capability for applicants with no credit history.

At present, 25% of new cable subscribers do not have enough history in their active credit file to generate a score. Anything SubscriberWise could do to contextualize these "thin files," making them scoreable, would improve its credit decisions, saving operators time and money.

This dilemma was resolved with SubscriberWise's upgrade to the FICO® 8 Score, which has features to better address consumers with limited or no credit history. Howe reports a 38% improvement in scoring capability among these "new to credit" subscribers after moving to the FICO® 8 Score.

In fact, the FICO® 8 Score delivered a host of benefits that helped SubscriberWise improve its credit risk service performance in a variety of ways. These benefits include:

- Upgraded scorecard segmentation.
- Consistent score reason codes across both versions.
- Minimized penalties for minor infractions.
- Better predictive strength for new accounts and subprime borrowers.

Better scorecard segmentation means the FICO® 8 Score adds more data points to its model for calculating individual risk. "This expansion of variables enables incredibly precise predictions," said Howe.

"Having the same reason codes was also critical because we didn't want to modify our code and incur significant programming costs. FICO made it seamless for us to upgrade," he added.

Helping cable operators achieve exceptional ROI

In an industry where credit checks have never been the norm, cable operators are often surprised to learn how much value such a simple precautionary measure can deliver.

"For an operator with approximately 50,000 subscribers, the cost to use SubscriberWise is \$1,500 a month or about \$18,000 annually. For that \$18,000 investment, an operator can realistically expect to save anywhere from \$500,000 to \$750,000—an ROI in excess of 2,000%," said Howe. "It's an unbelievable return on investment."

FICO also helps SubscriberWise customers lower their operating costs, including:

- Fewer service disconnections and their associated costs.
- Reduced burden on the call center from overextended customers.
- Reduced fraud.
- Lower total debt outsourced to collections from paid security deposits.

Finally, by identifying prospective subscribers with excellent credit, operators can use SubscriberWise to increase revenue through targeted marketing and upsell opportunities.

A modern delivery model for improved customer convenience

SubscriberWise is now eager to modernize its proven business model, putting more emphasis on custom integrations that will help attract larger operators. And FICO will be an important partner in this business endeavor.

SubscriberWise has already expanded its delivery channels, offering customers an Application Programming Interface (API) that enables direct integration into cable billing and management systems.

"We're bringing together all these technology solutions: the FICO 8 Score, credit reporting information, the SubscriberWise Decision Management System and now the cable billing system. With one click they're getting all this information in a familiar, integrated user interface," said Howe.

FICO reputation is a marketing asset

Regardless of how customers access the decision system, Howe believes its value is immediately obvious to cable operators struggling under the burden of substantial programming and equipment losses. SubscriberWise is not reluctant, however, to use FICO's industry reputation to help drive the point home.

"I always make a point of telling prospective operators that SubscriberWise incorporates the latest analytic technology from FICO," said Howe. "Most of our member operators are aware of FICO and they recognize the FICO® Score as the world's leading credit risk score available in the market today"

"The FICO® Score has always been a great performer and it continues to be today," he concluded.



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