

Capital One's Competencies

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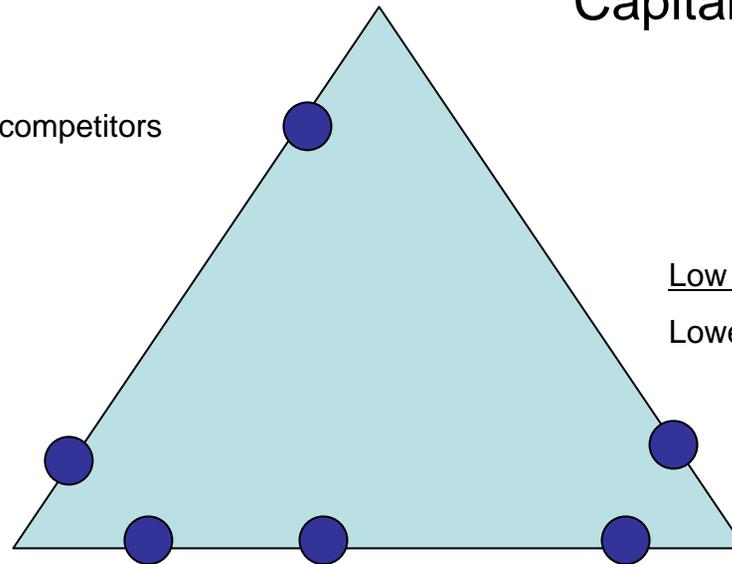
Increasing barriers to entry from competitors and exit from customers.

Horizontal breadth

The widest coverage of the industry "Shut-off the credit filters"

Customer engagement

- Actuarial calculation of customer's life-time NPV in real time
- Testing for customer acquisition, card utilization and attrition
- Horizontal accounting (entry and listing of cohort)
- Detecting "adverse selection"



Low cost

Lowest charge-off of industry

Customer integration

The Power of IBS



The organizational capabilities

- Entrepreneurial structure and culture
- Information Technology know-how (largest Oracle data base - 40 pages per every American)
- Customer service (30 million inquiries per year). Identify the caller after 1 ring with 70% accuracy. The right call routed to the right associate.
- Recruiting talent (behavioral interviews, case interviews, standardized test)

Differentiation

95% product < 2 years

- Stream of new products
- Short half-life cycle
- Customized offers

Experimentation as the Basis for Effective Change

Large	The middle road: lower returns, or unacceptable when first mover advantage is high	Unacceptable risk, as a starting point. Highly desirable as endpoint
Small	Ineffective: lower returns, or unacceptable when first mover advantage is high	Testing: the relevant area for experiments leading to large change
	Slow	Fast

Speed of Change