

Postcode Measures of Financial Activity and Debt

1. Introduction

Information is the key to marketing success. The more information you have about people the more successful you are likely to be in finding and retaining customers. TRAC has built a unique product that provides measures of financial activity and debt for all areas in the United Kingdom. The predictors are held as a series of numeric scores for each full postcode. These can be added and applied to any database or list by means of a simple postcode match. The measures can be used in combination with other variables and can be used in a wide variety of marketing activities to help improve the effectiveness of campaign activity.

2. Information Held

The scores were derived from a variety of data sources. Debt, for example is positively correlated with a number of measures of deprivation such as the number of county court judgements, unemployment, particularly long term unemployment, the proportion of households headed by a single parent, poor housing conditions, type of housing etc. It is negatively correlated with the proportion of the work force in professional and higher managerial type occupations, detached housing, low unemployment and so on. These patterns of correlation have been used to derive two scores which predict areas where people are really struggling financially and areas where there are some debtors. The measure on financial activity is built in a similar way using measures of household composition, presence of children, whether you are buying your house on a mortgage, proportion of housing stock sold etc.

Each predictor is held in two formats. The first is a standardised numeric score with a mean of zero and a standard deviation of one. Thus a large positive score for the postcode denotes for example, the likelihood of debt, whilst a large negative score denotes the opposite – the absence of debt. The numeric score tells you exactly how far up or down the scale any given postcode falls. A debt score of +1.96 or more, for example, would tell you that this postcode comes within the top 2.5% of the country in terms of the debt rating. All the scores can be interpreted in exactly the same way. These scores can be used directly in analysis and statistical modelling. The second format in which the information is held is as a banded ranking. Each postcode score is grouped into one of twenty possible bands so that approximately 5% of all households in the country fall within each band. A band one ranking for debt, for example, denotes that the postcode in question contains some of the most indebted households in the country, whilst a band 20 ranking shows the opposite. Using the banded

rankings it is possible to overlay these onto any file of names and addresses and generate a profile by simply comparing the proportion of the file in each of the bands against the expected 5%.

3. Potential Applications for the Data

The possible uses for this data are many and varied. One application would be to improve the targeting of mailing campaigns. A second obvious application would be to use the data in the generation of small area segmentation systems such as Geo-Demographic cluster solutions. A third possible application would be to use the data in profiling and propensity modelling. A fourth, might be in the area of mapping for site location and catchment area analysis. Obviously the data can be and should be used in combination with other information to maximise effectiveness.

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