

Analytics in Action

Retaining Profitable Assets

Client : A leading issuer of Consumer Credit Cards in the US

Business Situation :

The Client was experiencing a significant runoff in its Card receivables. Customer payment rates had been climbing up over the past 12 months leading to balance erosion.

Moreover the balances lost were high-priced balances contributing in a greater proportion to overall portfolio profitability.

The Task :

- define and scope the balance erosion and its impact on profitability
- understand internal and external factors causing the balance erosion
- implement strategies to stem the erosion and bring the portfolio back to its 'normal' state

The Analysis:

Leveraging historical bank internal performance data, and external credit bureau data, a sound business recommendation along with expected financial impact and assumptions used therein was made .

The Analysis covered three areas :

The What : It was found that only 3% of accounts were contributing to over 80% of the balance erosion. This was a significant breakthrough as it narrowed the scope of the problem to a small set of accounts. It also meant that appropriate remedies could be implemented fast without impacting the bulk of the portfolio.

The How : More detailed investigations on the 3% of accounts showed that these Customers were shifting their balances from the Client's Product to other competitors. Various vehicles of balance shift were also identified: card-to-card balance transfers, Home Equity Lines of Credit (HELOC) and cash-out refinancing. Essentially, customers were converting their high-priced balances w/Client to other lower priced products but with competing banks.

The Why : The external macroeconomic environment revealed that low interest rates had led to a steep drop in mortgage rates; moreover a rise in home prices had left Customers flush with home equity; the combination of low interest rates and substantial home equity meant smart Customers were converting high-priced card balances into low-priced mortgage-related balances.

The Recommendation :

Build predictive models that identified the 3% of Customers most likely to pay-off their Card balances in the future. Furthermore, two strategies were proposed to contain the balance runoff:

- Lower Card pricing to accounts identified as most likely to pay-off balances.
- Offer HELOC and cash-out refinance to accounts with existing mortgage balance and identified by model (the Client also offered mortgage-related products).

The Result:

Recommendations were implemented in a robust test-control mode and results tracked.

- Lower Card pricing resulted in a 30% drop in balances lost. Although absolute profitability was lowered due to lower pricing, the balances retained helped off-set this loss leading to overall gains in profitability vs. Control.
- Results from offering alternative Products showed that test cells had 45% greater response to these products. Although the balances were still lost from cards, the Client was able to save the balances on a different but internal Product. Overall absolute profitability was maintained and was significantly better vs. Control.

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industries - Retail Banking, Consumer Packaged Goods, Consumer Retail, Telecom and Media. We offer an affordable global delivery model leveraging the best of domain expertise and analytic capabilities.

Management Team -



Roy Cherian - CEO

MBA – IIM Ahmedabad

- Over 18 years experience in Marketing, Advertising and Media Industry, a significant part in the Food and Consumer Packaged Goods industry
- Headed Marketing Services, Marketing Operations and the Chocolate and Confectionary business of Nestle India
- Pioneering work in Media and Marketing Mix Optimization



Anunay Gupta, PhD - COO & Head of Analytics

MBA – NYU Stern School of Business

- Over 11 years of international experience in Consumer Finance and Retail Banking
- Set up offshore Analytics capability for Citigroup. Managed \$145B portfolio for Citigroup US Cards. Leadership role in American Express Risk management
- Extensive experience in analytics, advanced modeling and predictive techniques



Issac Mathew - Head of Client Services

MBA – IIM Kolkata

- Over 10 years of experience in Information Technology Consulting in Retail, CPG, Supply Chain and ERP
- Part of the Cognizant US team which managed clients like Wal-Mart, 7-Eleven, Ace Hardware, AC Nielsen and HE Butt
- Head of the Business Intelligence practice at PricewaterhouseCoopers, Southern India

Our Clients -



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