

Analytics in Action

Lowering Portfolio Defaults by 19%

Client : A Consumer Finance Company making short-term Unsecured Loans

Business Situation :

The Client - a provider of short-term payday loans - was experiencing high default rates in its loan portfolio. Payday loans are instant small value, short term loans. These loans are received by the borrower and are to be returned back on their next payday along with requisite fees to the lender.

Default rates were highly seasonal and geography specific.

The Task :

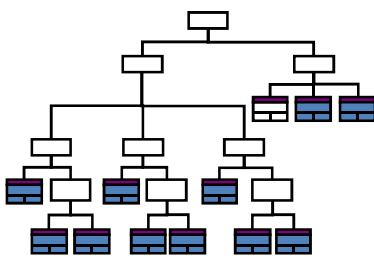
- Develop and implement a 'First Payday Default (FPD)' Risk Model. The model will be used at the point of Acquisition to screen out Prospects with a high probability of first payment default.
- Refine Acquisition Business strategy across key functions – pricing, loan amount and loan term.

Analytical Framework :

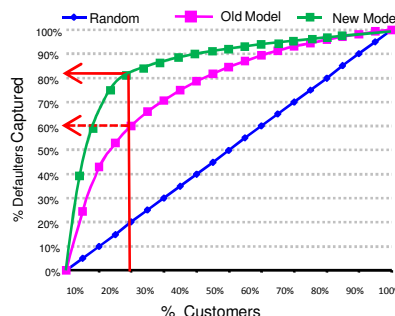
A 3-step analytical process was used:

1. Segmentation of Customer Base: Segmented Customers based on loan performance, demographics and credit bureau profile. Identified and tagged High/Medium/Low FPD Customer Segments
2. Building a Default Scorecard: Identified Customers that have defaulted by Segment. Built predictive models for each segment. Model identified Customers most at risk of defaulting in the first payment cycle
3. Building a holistic Strategy for execution: Created a strategy grid for executing business strategies. Recommend appropriate treatments by Strategy grid

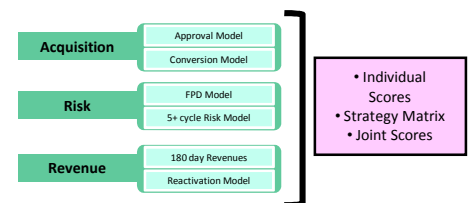
Segmentation



Predictive Modeling



Business Strategy



The Result :

The New FPD model was implemented in a robust test-control mode and results tracked:

- Geographic location of the Prospect was identified as a significant segmentation variable. 6 geographic segments were created and a FPD model built for each segment.
- Seven credit bureau variables were identified as significant in identifying potential high-risk Prospects. Of these, '# inquiries in past 30 days' and '# loans given in past 12 months' were identified as most significant.
- Once implemented, the new predictive FPD models helped lower portfolio loan losses by 19%.

About Marketelligent

Marketelligent provides data analytics-based consulting and outsourcing services that help you make smarter business decisions. The firm is backed by senior professionals with experience across Consumer focused

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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