

White paper summary

Strategy optimisation- The next step in credit customer decisioning



The issues of strategy optimisation

Within leading organisations credit strategy is now acknowledged as a key differentiator in today's competitive landscape and the credit risk function is changing from one of 'gatekeeper' to one of 'strategic advocate'.

Businesses demand a far more dynamic approach to the management of customer decisions: the days of developing risk scorecards, blending with policy rules, implementing a cut off and leaving for 3 years are over!

As the speed of change increases, organisations require tools, techniques and new approaches to help them to manage customer decisions. Organisations need to be able to rapidly adapt credit strategy to changes in economic, competitive and operational environments. Existing decisioning and reporting systems don't always facilitate this.

Over the past 25 years we have moved from credit scoring, to strategy management and now we approach a new third phase; strategy optimisation. In order to keep up with the leaders, many organisations will need to change. Strategy optimisation is the 'next step' in customer decisioning.

The benefits of strategy optimisation

Strategy optimisation is being applied across the credit lifecycle; for new business, customer and account management decisioning through to collections and recoveries. Credit strategy optimisation from Experian is delivering 5-30% profitability improvements, offering significant return on investment for forward-thinking lenders globally.

However, for many organisations the real benefits are gained through improved operational and financial management and the ability to dynamically respond to changing environments.

Want to read more?

This executive summary is taken from the Decision Analytics white paper **Strategy optimisation- The next step in credit customer decisioning**.

Access a copy of this, and other Decision Analytics white papers, at: www.experian-da.com

Strategy optimisation - The next step in credit customer decisioning

Strategy optimisation enables an organisation to improve its customer decisioning through:

- **More granular customer segments** - Looking at the characteristics of each customer and tuning the strategy to each customer's expected behaviour
- **Detailed multi-dimensional decisioning** - Not only risk, but also revenues and operational costs
- **Dynamic response to economic, operational or competitive environments** - The ability of optimisation to simulate various scenarios and predict the likely outcome means that changes to decisions can be evaluated and implemented more quickly

- **Managing business constraints** - As the business has better management information and control, it can forecast future profit components and manage within these constraints more effectively
- **Making the best possible decision for both the customer and the organisation** - Traditional rule based decision methods only consider one customer at a time. Through taking a holistic view, optimisation considers the interaction of decisions in order to work within operational and financial constraints
- **Better management of key business groups** - Through accurate and rapid simulation, optimisation can show the effect of the existing and new potential strategies on key customer segments, reflecting the operational and financial impact

- **Connecting the strategic planning process to individual customer decisions** - Many organisations undertake analysis to determine the best customer level decision without full consideration of the strategic and financial impact. By reflecting real world constraints, optimisation enables organisations to maximise portfolio level performance

Strategy optimisation can be implemented within existing strategy management solutions with minimal change to the operational process. It can also be integrated into third generation strategy management systems using dynamic individual level optimisation solutions.

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