

## **Developing early line management strategy to cut credit losses**

### **Business challenge**

Standard credit interventions depend on the behavioural scorecard, which comes into effect only after completion of 6 months on book of any customer. Significant reduction in credit losses is possible if an intervention model is developed which analyzes the first 30 days customer transaction data to take action on reducing line.

### **Approach**

Six months of new acquisition data is consolidated and tracked for next 18 months performance. Usage variables are created and transformed using first 30 days transaction data. All critical variables are created for each of 30 days. For example, cash utilization is calculated on day 1, day 2, day 3 and so on till day 30.

Post preparing this modelling data set, Decision trees are created on Knowledge Seeker to identify discriminating variables. Key variables are identified which lead to a high bad rate like balance, retail utilization, cash utilization and jewellery spend.

Since the variables are calculated on a daily basis, decision tree identifies the discriminating variables along with the discriminating time, for example, cumulative jewellery spend on day 10 is the discriminating variable.

### **Business benefits**

Post implementing this early line intervention model business can expect a 9% to 12% improvement in the NCL rate for first year.