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Account Management for Risk or Profit?

Historically, credit grantors have devised challenger account management strategies to improve the performance of a credit portfolio using segmentation to identify selected customer profiles. Initial strategies are often able to both increase revenues **and** reduce bad debt levels and can easily be identified as winning strategies. However, as organisations take on additional risk, it is common to see challenger strategies that will increase revenues, but also increase delinquency. This brings into question whether the challenger strategy is a winner or not.

One way of determining a winning strategy in this case is to compare them based on profit. This process is quite complex as the definition of a profit metric requires clear attributable financial figures and the ability to assign costs and revenues to each account.

In this presentation, we review the results case study of a profitability analysis that was conducted for a leading retailer in South Africa. We will identify the key issues in the definition of a profit metric and how these were addressed. We then highlight how this profit metric was used to develop a profit based challenger strategy and the results after implementation.

As an additional consideration, we will review how an organization can accelerate learning by running multiple challenger tests at the same time and using an analytical technique to identify the best parts of each individual test. Once identified, a composite strategy can be developed using the best parts of each individual test to optimize results.