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CASE STUDY

Pricing & Profitability Model

Financial Services.

> The credit cards pricing and profitability model became a critical tool for a relatively new credit cards provider

Client

Our client is a new national retail bank with a full range of banking products and services, including credit cards, savings and loans, mortgages, travel money, and insurance.They are a modern banking organisation utilising today's technology to deliver premium service and products to their customers.

Purpose

Our client required a pricing and profitability model to allow them to assess the expected financial returns of new credit card offers, given the performance of prior propositions:

- Customer Behaviour Modelling that included a curve creation template to allow users to forecast curves based on limited historical data,

- Identify key points along the customer journey, such as the end of promotional periods, and create linear steps between these points,

- Allow users to visually create a non-linear curve with smaller linear steps. As a new bank being able to forecast from limited actuals was critical to the success of the model,

- Live data connection to tables using SAS queries to give historic proposition data for credit card key drivers, such as interest yield, retail spend and payment rate,

- Provide a dashboard for the end users of the tool to collect key assumptions, allowing the marketing team to draw inferences from their assumptions in one dedicated marketing worksheet.

Approach

The development of the tool was clearly split between the creation and maintenance of the curves, the logic for development of the credit cards, and the development of the marketing user interface. To assess the effectiveness of the customer behaviour forecasts using the curve development tool there was periodic testing of the curves by comparing campaign behaviours to updated actuals and making adjustments to forecasts as necessary.

Outcome

The credit cards pricing and profitability model became a critical tool for a relatively new credit card provider. As a combination of powerful behavioural forecasting and a marketing front-end, the model became a one-stop shop for credits cards forecasting, blending sophistication and user-friendliness.

The model became a central point of focus between finance, analytics and the credit cards team, around which a process was built to manage monthly workflow. This provided focus and efficiency improvements above and beyond the power of the tool itself.

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