

CREDIT SCORING AND CREDIT CONTROL X EDINBURGH 2007

Analytical Approaches for Exposure Management Strategies

Abstract

Exposure management on revolving credit portfolios in many markets across the globe is frequently carried out via sophisticated strategies executed by parameter driven decision engines.

Analysts and managers confronted with “legacy” strategies can be foxed by large and complex strategies where the rationale for the strategy design and the layers of performance and behaviour which make up the “whole” of the strategy’s performance may be barely understood, if at all.

Given that exposure management strategies may typically be multi-layered and complex, utilising numerous scores and metrics, this can also lead to difficulties in tracking large strategies with many layers of segmentation. This in turn may lead to reductive tracking and monitoring approaches, which can overlook the valuable insights into customer and portfolio behaviour to be gathered from a more granular approach to strategy performance monitoring.

The design of test or “challenger” strategies may also be subject to limited or simplistic iterative design approaches because of the difficulties associated with understanding which areas of a complex strategy “work” and which areas do not. The accretion of segmentation arrived at through repeated generations of strategy design can also obscure the high- and low-performing segments of a lending strategy – those areas of a strategy which deliver business benefits and those which may not and which may, indeed, be accruing losses to the organisation.

This presentation will discuss a number of alternative approaches to exposure management strategy and performance analytics on revolving credit portfolios, paying particular regard to approaches which deliver insights that feed directly into test strategy design and modification.

This presentation will also discuss some approaches to identifying and cutting out or modifying under-performing strategy segments via a process of analytically-driven strategy assessment.

John Worthington
Senior Business Consultant
Experian Decision Analytics
Landmark House
Experian Way
Nottingham
NG80 1ZZ

john.worthington@uk.experian.com
Tel : +44 (0) 115 82 86158
Fax : +44 (0) 115 82 86603