

Keep Your Shirt On

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If businesses are to succeed in today's price-driven market, it is critically important for organizations in the credit industry to operate at the highest levels of efficiency. Fortunately, by designing the right experiments and carefully analyzing the results, these organizations can begin to optimize their efforts for greater efficiency and increased profits.

Technology is available to design and try complete sets of test strategies at the same time. This approach allows creditors to determine the optimal combination of test strategies in one experiment, shortening the learning curve and outperforming the competition.

In the credit and collections arena, a comprehensive optimization system can help credit industry professionals optimize the value of decisions made in the credit life cycle, allowing them to maximize responses to credit offers and usage of credit lines, retain quality customers, and collect the greatest amount of delinquent dollars.

The pathway to greater optimization requires that the fundamentals of risk and marketing management be in place. To begin with, the most basic aspect of optimization is simply having the core data elements necessary to address a specific issue. Databases must be reviewed to ensure that the proper data elements are on hand to address the decisions that are being considered.

The data elements must be stored in a data repository where they can be accessed by reporting tools and periodically refreshed. It is critical to collect the responses to experimental strategies and "close the loop" by feeding this information back into the data repository.

An organization must be able to understand and interpret customer behavior and key trends that change customer behavior. This is an ongoing process as customer behavior is fluid. Of course, analytical expertise, reporting, and data mining tools must be in place, too. An organization must also use the most predictive combination of models to measure risk, response, revenue or any other objective that is to be measured.

Having a knowledgeable staff will allow creditors to push more quickly to optimal solutions while avoiding problems of which inexperienced persons would not be aware. Organizations also need to have decision engine software capable of implementing complex experimental designs and, perhaps most importantly, a properly trained and highly productive staff.

Enabling software tools are needed to execute the decision strategies within the various host systems. Examples of this include collections systems, predictive dialing systems, application processing systems, and campaign management systems. An organization must deploy and utilize personnel efficiently if it expects to optimize results. All areas of the organization must be properly trained and highly productive.

It is critical to first assess the overall state of operational teams, the current technologies, and the fundamental business activities. Once these areas are fully up to speed, it is then time to consider optimization solutions.

There is no black box approach that automatically produces optimal results without first having the basics of risk and marketing management in place and the organization operating at efficient levels.

A proper experimental design shortens the length of time required to obtain an optimal solution. The experiment must be completed before assessing its effectiveness. Businesses should also be wary of vendors that show results demonstrating payback before sufficient time has elapsed to judge the results.



Most institutions do not have the resources in-house to accomplish optimization on their own. Therefore, a reputable vendor partner that has recognized expertise in credit and marketing analysis is highly recommended.

Optimization is a complex, yet worthwhile, pursuit. So roll up your sleeves. Cover the fundamentals. Organize and train the staff. Design thorough experiments, analyze and interpret the results of the experiments, then adjust the approach based on this work. The benefits can be significant. And you needn't lose your shirt in the process.

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