Banking: Pricing & Profitability Model

Purpose

Our client required a pricing and profitability model to allow the creation of scenario forecasts of new credit cards based on limited historical data. Our Customer Behaviour Model configuration included a number of user features to explore financial forecasts of prior propositions:

- 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