

# Application Scoring, Credit Line Management and Collections Management for a leading telecom company enables better risk management



## Client Profile

The client is a large telecom company in Middle East providing fixed and mobile telephony, broadband connectivity, IPTV and carrier services to more than 5 million individual and 40,000 businesses. The client provides innovative products and various offers to attract new clients and retain existing customers.

## Summary

D&B provided its analytics services to a large telecom client in Middle East to meet its objective of implementing analytical-based solutions to enhance different aspects of their business processes – specifically at the point of new application processing, at credit line management of existing subscribers and collections strategy. The project provided the client sufficient information to draw insights from historic data from their subscriber database to design analytically supported decision-making that augmented the Risk Management of the business processes.

## Insights

The client continuously evaluates the performance of the scorecards as the vintage data grows and it was found that the quality of scorecard is maintained just by re-calibrating the elements and weightage without any re-build.

## Client Benefits

- Objective, faster and efficient decisioning/approval for post-paid applications
- Ability to assign differential credit limit based on risk grading of customers. Pro-active credit line management allowing company to maximize profit and reduce defaults
- Continuous evaluation of accounts provides ability to make instant decisions creating a more effective and efficient risk management process, adding to the overall quality of the portfolio
- Risk-based collection process allowed to prioritize the delinquent customers on the basis of probability of repayment
- Effective utilization of collections budget to target customers who will repay with minimal effort

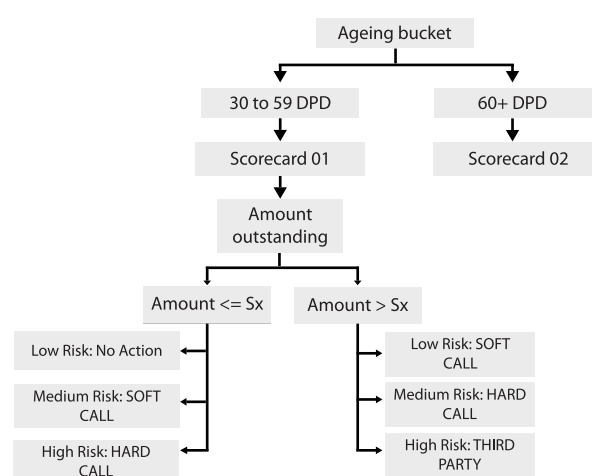
## Business Challenge

**Scorecard configuration:** The main challenge for the company was to have a model to verify the probability of default of customer applying for post-paid mobile offers due to various factors such as Nationality, Length of stay in country, Individual run business, etc.

**Post-acquisition behaviour:** The client was also looking to improve the analysis of their customer behaviour to define credit management and collection strategy.

**Segmented scorecard:** The client was finding it difficult to create segmented scorecards based on certain data criteria such as the delinquency bucket. In the lack of segmented scorecard, in such a large volume of customer base, the client was applying the same criteria for every individual.

## Technical Design



## D&B Solution

D&B, through its Risk analytics consultancy, supported the Telecom client under three areas:

**Application scoring:** D&B analytics team performed a data audit to understand the quality of data and also did an exploratory data analysis to maximize the insight into the given data set. EDA was done to extract important variables, detect outliers and anomalies and test underlying assumptions. The final available data set was prepared after data cleansing that allowed to build the required model to predict the possibility of default of a new customer within 12 months. The scorecard value was also used to make a decision on post-paid applications.

**Credit line management:** D&B created custom statistical scoring models to enable proactive portfolio monitoring to increase the speed and accuracy of making back-end credit decisions. The scorecard was built to assess the credit worthiness of existing customers based on their payment behavior and decide if customer's credit limit can be increased and to what extent.

**Collections management:** D&B created a segmented scorecard for increasing the 'spin-off' rate, i.e., amount collected per unit, amount spent collecting it, without increasing customer attrition or facing reduced credit usage by knowing whom to collect from, how much and when. The efficiently designed statistical models enabled the credit team to identify the borrowers who would pay back and become current or at least roll backward on their own, i.e., without any collection action. Simultaneously, it also identified those sets of customers showing increasing probabilities of not paying back and hence the appropriate collections strategies to be adopted for them.