



STRATEGY OPTIMIZATION SERVICES

Financial institutions are continually asked to do more with less. There are multiple constraints with which they must contend, including financial and human capital limitations. When managing a credit portfolio, maximizing the rate of return on the available resources is critical. But what is the optimum allocation of these resources and how do you know what the optimum allocation is? Some scenarios you might be facing include:

You are reviewing lines of credit for your credit card portfolio. You want to achieve maximum bottom line profit after the campaign. You have a maximum amount of extra credit that you can extend. How do you review each individual account?



You are defining credit policy rules to be applied in your origination procedure. You want to minimize the default rate over the next year, but your marketing department has set a minimum approval target of 70%. In addition, you must respect the maximum aggregate credit amount that can be extended. What are the combined policy rules that will produce this result?

You are acting as a master servicer of a distressed credit portfolio. Your target is to get the maximum net collected amount over the next six months. You work with a number of collection agencies and each of them has a maximum capacity to service your portfolio and different success rates for each profile in the portfolio. How do you optimally assign accounts to agencies respecting the former constraints?



CONSULTANCY SERVICES:

The successful completion of a **Strategy Optimization problem** requires **two** main **steps**:

First, the **credit institution** needs to have a **clear understanding** of the business targets they are trying to achieve and the technical, operational and financial constraints that have to be respected in the process.

Then **GDS MODELICA** will formulate this business problem as an analytical one suitable for the application of the relevant optimization algorithm that will compute the optimal solution to the problem.

Using our **state-of-the art**, proprietary **Strategy Optimization Engine** we can compute the optimal strategy to be assigned to each account.

Our software is able to **efficiently find** the **optimal** use of **resources** over **very large data** sets.



Areas of Application:

In any scenario where strategies need to be assigned to accounts or businesses are under some form of constraint, the application of optimization techniques has value. Some examples follow:

- CREDIT RISK -

Build the optimal segmentation tree instead of manually defining segments based on past judgmental experience. This way risk can be minimized, and account profitability maximized.



- COLLECTIONS -

Assign the optimal collection strategy to the delinquent portfolio at the account level to maximize recoveries respecting resource limitations in terms of budget and collector's availability



- MARKETING -

Select the channel, promotional package and offer for each customer in a portfolio to maximize customer value given marketing budget constraints.



BENEFITS:

Including **optimization techniques** in the management of your credit portfolio increases the performance of your existing strategies through a better allocation of available resources. This has a direct, positive impact on the overall profitability associated with each portfolio.



While simulation tools can report the impact of implementing a given strategy assignment, optimization identifies the best of all possible scenarios that respects the given operational, financial or business constraints.

SOFTWARE INTEGRATION:

Our **Strategy Optimization Engine** can not only be used as a stand-alone tool in our consultancy assignments, but it can also work as an integral part of **GDS Modellica's Decision Studio**, our scorecard and credit policy rules implementation platform. In this case, the same system used to assess the creditworthiness of the applicants can also be used to derive optimal credit strategies for a given credit portfolio.

Contacting **GDS Modellica** is a good first step to **satisfy** your **credit risk management** needs. Risk management is **our vocation** we understand risk management solutions, how to integrate them into existing technical environments and how to assist you in maximizing your investments.