

Valuation Models

SCENARIO

2nd Order Solutions worked with a large American bank that wanted to re-evaluate their credit line increase (CLI) strategy for all of their consumer credit card products. Its current strategy was never optimized to use any differentiating factors to assign a specific CLI amount to certain customer groups. The client's goal was to increase profitability for the program as well as expand the number of customers enrolled.

Our team approached this problem in two workstreams: creating a new CLI strategy and building a custom valuations model. The new strategy improved the client's approach to CLI's, while the valuation model allowed the client to input different customer segments, play out different gaming scenarios, and output the optimized CLI amount.

RESULTS

2X Growth

After performing analysis on the client's current strategy, 2OS was able to double the size of the CLI program while better accounting for risk

60% Loss Reduction

By adjusting the exclusion criteria and ranking customers by risk, our team was able to reduce losses of the program by 60%

400% Value Increase

The new valuation model coupled with the new strategy increased the projected worth of an account by 4X



* Note: anonymized actual data from 2OS client engagement