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4 MARGINAL GAINS FOR THE NEW ERA OF CREDIT DECISIONING

Credit decisioning is entering a new era. With the rise of Open Data there are more data sources available than ever before, with new analytical techniques creating opportunity to extract greater value from this data to deliver significant performance gains for businesses. Machine Learning is transforming the way analysts develop scores and strategies. There is a race to make better use of automation to drive faster, more accurate credit decisions.

Businesses need software that is ready to support this rapidly changing environment. They need tools that drive more accurate credit decisions with incremental improvements that lead to better commercial performance. Every percentage improvement can make a difference. So, with that in mind, we've outlined 4 marginal gains that businesses can implement to improve performance and get the most from their decisioning software.

MARGINAL GAIN #1:

IMPLEMENT MACHINE LEARNING TO UPLIFT PERFORMANCE

Machine Learning (ML) is a subset of AI technology. It is now being implemented in credit decisioning to deliver significant performance improvement on traditional models and scores. ML unlocks the ability to deliver models with enhanced predictive power for creditworthiness, affordability, fraud-based decisions, and more. Businesses that are not using ML based models are leaving money on the table. Adopting ML techniques can improve the accuracy and effectiveness of models, leading to greater revenue, better customer experiences, and lower operational costs. The latest decisioning software should support a variety of ML programming languages that enable analytical models to be imported into the strategy design environment without complexity, meaning businesses can deploy more quickly and benefit faster.

GAIN UPLIFTS

Reduce the cost of lending: By increasing efficiency in risk management, ML models can lower the costs of lending by continually optimising lending decisions.

Accurate decision-making: ML helps provide objective, consistent, data-driven decisions through deeper analysis of data.

Increase acceptance: ML can widen access to credit by analysing large volumes of data – both structured and unstructured – in a very short period of time. This greater depth of analysis means access to credit can be widened for applicants previously considered 'thin file' when assessed using traditional techniques.

One Experian Telco client saw a 22% improvement in fraud detection using an ML model compared to traditional model

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MARGINAL GAIN #2:

CONTINUOUSLY IMPROVE STRATEGY PERFORMANCE

Decisioning strategies are becoming more and more complex, incorporating vast amounts of traditional and alternative data sources, as well as integrating new analytical techniques such as AI. The new era of credit decisioning will see tools that make ingestion of ML models much easier, with simple drag and drop functionality and code free deployment. Due to this, it is really important that businesses can shorten the time between strategy conception and execution, and to continually test, measure and optimise strategy performance. Decisioning software that has assisted design capability allows businesses to continuously refine and improve strategy performance by recommending modifications to decision logic based on past results and forecasts. This drives improvement efficiency without the need to involve analytical resources, with the software automatically developing the best course of action.

GAIN UPLIFTS

Shorten insight to action cycles: Faster testing and simulation of strategies right across the lifecycle means performance impact is seen quicker with faster deployment.

Drive greater efficiency: Brings data driven analysis and validation into every strategy change, ranging from small changes to more extensive re-designs.

Works with existing data: Maximises existing investment in data and analytics as it works with available data without need for additional analytics.

One Experian client used Assisted Design to uncover 3 significant loss generating segments with suggested strategy change resulting in €1.7M profit upside

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MARGINAL GAIN #3:

INCREASED AUTOMATION OF DECISIONS

Businesses recognise that in order to improve 'time to decision' they need to embrace automation. In doing so they can reduce the volume of manual reviews and operational cost. The key to unlocking automation is the intelligent use of data and analytics to more accurately predict creditworthiness and affordability to deliver decisions within seconds. For example, in customer onboarding, businesses can eliminate unnecessary manual steps and automate routine tasks, such as verification and decisioning, so that customers can submit documents digitally with autonomous review and approval. The availability of new data sources combined with analytical techniques and smart workflow orchestration provides greater confidence to automate decisions.

GAIN UPLIFTS

Reduce 'time to yes': Use the latest models and optimised decision strategies to deliver more immediate approvals to qualified applicants — before they take their business elsewhere.

Responsiveness: Visual data mapping and transformation tools means business can quickly and simply ingest new data sources, so the lead time to production is heavily reduced. This means automation can be delivered faster.

Empowered by ML: Machine Learning models have proven to enhance model performance, giving organisations the option to entrust ML to deliver increased automation within decisioning.

33% of businesses highlight 'Lack of automation in our tools' as the biggest challenge prohibiting them from achieving their top initiatives (joint 1st rank)

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MARGINAL GAIN #4:

MOVING DECISIONING TO THE CLOUD

This may seem like an obvious one, but remember many businesses are yet to commit to a Software as a Service (SaaS) approach to decisioning. There are a number of reasons for this. Some may be waiting for alignment on broader organisational transformation projects, whilst other are carefully considering cloud deployment options e.g. private vs public. That said, it's clear that the market is moving to SaaS to take advantage of the lower operating costs and increased agility that cloud deployment provides. From a decisioning perspective, businesses moving to SaaS will not only see total cost of ownership come down, but they will benefit from faster updates on software releases that will help them improve their decisioning performance.

GAIN UPLIFTS

The latest software updates: SaaS means continuous upgrades with new features, performance enhancements and security updates pushed automatically rather than relying on internal IT teams to upgrade and test on local systems.

Outsource to reduce internal cost: Cloud adoption will reduce costs associated with managing a decisioning solution on premise. Fixes, patches, and upgrades are covered in the SaaS subscription with most maintenance costs taken away.

Scalability: SaaS solutions are more flexible and scalable compared to on-premise models. Auto-scaling means that volumes can be easily adjusted up or down, meaning clients won't be tied to a fixed price should volumes decrease but equally they won't have to think about additional server capacity when scaling up as this will be provided by the SaaS vendor.

Cloud infrastructure is up to 3.6 times more energy efficient than enterprise data centres, with more than two-thirds of this advantage is attributable to more energy-efficient server population and higher server utilisation.

To find out more, get in touch: If you would like to discuss how Experian can help you maximise the use of data, analytics, and software, contact us on +613 8622 1600, info@au.experian.com or visit **experian.com.au**

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