



## Project aim

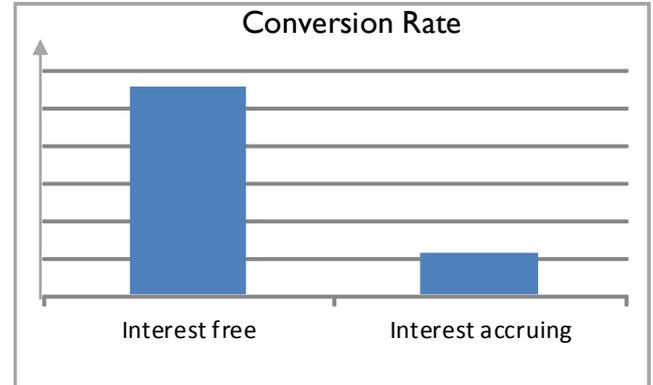
The focus of this project is to support the Marketing Department in converting Installment Loans to a Revolving Credit product. The campaign targets two main types of loans: Interest free and Interest accruing loans.

Critical points are:

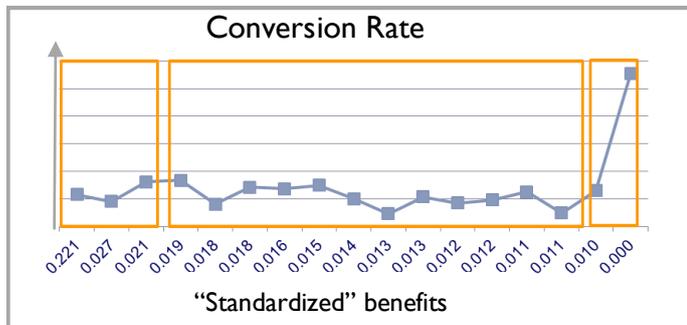
- ◆ It is not possible to develop distinct models for the two types of loans, because of the low propensity of Interest free customers.
- ◆ Considering the entire population, we need a variable to distinguish between the two types of loans in our universe. According to the Marketing department a dicotomic variable (Interest free or not) does not accurately describe the customer base: it doesn't distinguish between low and high interest nor does it consider other types of accessory benefits, moreover it is not possible to use interest rate in the model, because of its dependency on the market and the amount financed.

In the next section the chosen solution is described.

## Approach and methodology



An initial model on Interest accruing loans was developed. Then a correlation analysis with conversion showed that its discriminant variables behave similarly on both types of loans. Finally a second model on the entire population was developed, considering variables selected by the first model and, in order to help discriminate between the two loan types, a new variable was constructed by:

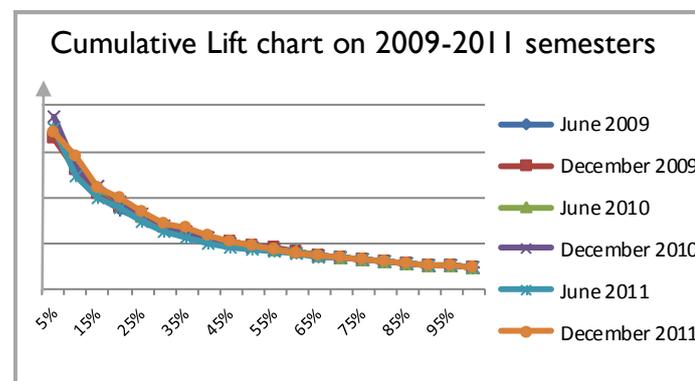
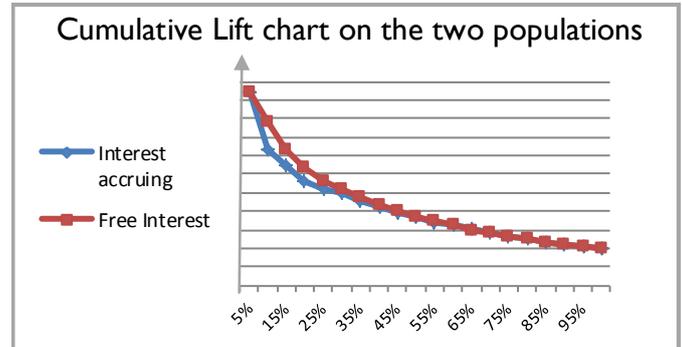


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- ◆ Standardizing benefits value with respect to financed amount

"Standardized" benefits value has been classified in groups based on conversion propensity and characterises the entire population in line with Marketing expectations. The resulting model adequately discriminates both types of customers .



Final model performance proves stable over the previous three years