CORESTRAT

CASE STUDY

Accelerating Digital Banking Growth with Targeted Credit Product Offering and Data-Driven Customer Segmentation

About Our Client

A major multinational corporation in Southeast Asia, offering a diverse range of services within its super app ecosystem, selected Corestrat to help them launch a digital bank for their customer base.

Challenge

This organisation who recently obtained a digital banking license, wanted to design a data-driven customer segmentation strategy to offer unsecured credit products to millions of existing customers in its super app ecosystem.

Solution

To help our client achieve business growth we proposed a data-driven risk-informed customer segmentation strategy, using Corestrat's Model.ai. Key Model.ai features include -

1. **Data collection**

   A large amount of data of customers from the client and their partners' ecosystem was collected to determine the relationships, interactions, and patterns.

2. **Target Variable Selection**

   Chose the target variable, such as the likelihood of loan default or creditworthiness of the customer.

3. **Pre-processing and Variable Reduction**

   The platform pre-processed the data, performed variable reduction, and removed any irrelevant or redundant features to improve the model's performance.

4. **Model Training**

   The data was trained on Logistic regression, XGBoost, and Random Forest models, which are commonly used in predictive modeling and have proven to be effective in similar scenarios.

5. **Model Evaluation**

   Based on KS statistic, gini, and AUC-ROC curve, the best model was picked.

6. **Underwriting strategy including approval/denial decisions**

   Model.ai enabled client to create its bespoke credit underwriting strategy using micro segmentation, covering approval/denial decisions, credit exposure, and risk-based pricing, to reduce loan defaults and optimize capital allocation of the lender.

7. **Application of the Model**

   The model was then be used on the business-specific data to obtain the required results and make informed decisions on credit underwriting, pricing, and risk management.

8. **Whitelist the existing customer base of the organisation**

   Customers were whitelisted based on predictive analysis from the model, indicating their likelihood of repaying borrowed money to the lender.

Result

- Alternative database ecosystem risk score for risk decisioning

- 2x increase in approval rate

- Microsegmentation and risk-based pricing optimisation