

# Default positions

Companies need to understand customers in depth to determine which ones are likely to run up debts, say *Jon Cano-Lopez* and *Paul Birks* of Ai Data Intelligence

**T**hese are interesting times for those of us involved in data and analytics. With increased bad debt a common problem for organisations in the current economic crisis, and budgets being squeezed hard, we are seeing an about-turn in the way companies use data.

To limit the risk of incurring bad debts, organisations must decipher how valuable customers are likely to be, and how they are therefore best treated. This means we are seeing a big push now not only on finding out who prospects and customers are, but why they want a product and where they stand attitudinally.

To achieve this level of insight, marketers are increasingly having to pull data together from different sources, from traditional marketing data such as lifestyle, behavioural, geo-demographic and transactional data to credit risk and affordability data as well.

Taken as a whole, this data can be analysed to enable us to work out who people are – what they do, what they read, what they drive, and more – key factors in determining their attitudes, as well as their likelihood of becoming a credit risk.

While of course this isn't a new concept, it is one that has been little utilised for a number of years. Very rarely is all this knowledge pulled together, and perhaps little wonder as it is



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Jon Cano-Lopez

undoubtedly a challenge when most companies hold data on separate systems.

Now, however, the economic climate is forcing companies to place a much greater emphasis on understanding consumers. This enhanced knowledge incorporating behaviour and attitude enables them to work out how valuable a customer they are likely to be in the long run, and their likelihood of defaulting on repayments.

And this is a key point – attitude does affect how people behave under credit stress: a problem for many at the moment. Keeping up with car repayments, for example, will be much more important to someone with children living in a rural area than a city dweller who commutes into work. With this knowledge, you can start to treat people differently.

This is all both achievable and measurable, yet until now few organisations have conducted this level of analysis, placing instead a greater emphasis on meeting acquisition targets. Recent economic changes, however, mean that the realisation is dawning for many that customers cannot all be lumped together in just a few all-encompassing groups, but must be examined more closely to improve their chances of avoiding more bad debt.

A further challenge is in finding the people who can manage this level of analytics. This is where specialists such as Ai Data Intelligence come in. We are fairly unusual in that we have a large analytics team combining both marketing and risk analysis specialists. This enables us to look at both sides of the equation and provide real insight into customer attitudes.

The opportunity is certainly there to really drill down into one's data and get to know what makes customers and prospects tick, and we will see more organisations capitalising on this – something that will not only be good for the health of the organisations that do it, but surely for that of the industry as a whole. ■

*Jon Cano-Lopez is managing director and Paul Birks is analysis director of Ai Data Intelligence*

## GETTING TO KNOW YOU

Coming to the fore in analytics as a result of the current economic crisis is the combination of traditionally disparate data sources, such as credit risk, affordability and marketing data, and the splitting of people into groups based on this knowledge.

But why go to these lengths? The major reason is to enable organisations to form a more complete picture of who a person is – be they customer or prospect – by taking on board not only the general demographic and credit data available on them but also their attitudes, and therefore how they are likely to behave as a customer.

This knowledge enables an organisation to make an informed decision as to who to take on as a customer, and how to treat them to lessen the risk of taking on more bad debt – a common problem for organisations in the current climate.

One way of doing this is to segment existing customers into groups, using all the available data sources to identify them. Once this is done, you can build risk and response models and apply strategies to each segment to find out what each one is likely to want, using this to make an informed decision on how to target them.

## POWER POINTS

→ There has been a big push among companies to understand what makes their customers tick

→ This involves pulling together data from various sources, usually held on separate systems

→ Until now, few organisations have conducted this level of analysis