RISK MANAGEMENT

In today's competitive environment, maintaining a successful business requires searching for and engaging in new opportunities and strategies. To maximize the profitability of such, analytics are needed to understand and, in turn, minimize the associated risk.

Would you like to reduce fraud? Data mining techniques can be used to detect fraudulent behavior patterns, and adjustments to business rules and models can be implemented accordingly.

Would you like to increase customer satisfaction and sales through open billing? Past and present information can be used to accurately identify threats, enabling the construction of tailored billing procedures for customer segments with varying degrees of risk.

For these reasons and many more, if you're looking to increase market share while managing risk, look to JumpStart Point of Arrival for help in realizing your objectives!

Key Components

- Threshold Determination
- Threat Detection
- Risk Prevention & Mitigation
- Process Examination & Augmentation

Business Case 1 *(Fraud Modeling)*

HECollectibles, Inc. sells high-end collectibles directly to consumers on a home shopping television channel. Although all sales are credit card prepaid, the company would like to mitigate fraud risk as a preventive measure. To reach this objective, the company develops a model to predict fraud. After conducting profiling analysis on the transactional database with external credit card purchasing activity information, the company establishes rules that trigger for action when the customer's spending pattern changes.

Business Case 2 *(CHAID Analysis)*

Nothing But Fruit Club ships in-season fruit to its customers on a monthly basis. The customer agrees to purchase at least 6 shipments within 2 years when joining the club and, in return, will receive an additional free shipment after the sixth. Traditionally, the company contacts those customers without automatic billing for prepayment approval prior to each shipment. In order to improve customer satisfaction and reduce service costs, the company has tested shipping without prepayment approval to a certain percentage of its customer base. Using CHAID analysis, the company is now able to ship fruit to low risk segments of the customer base without asking for prepayment approval. Due to this effort, the company has reduced the customer contact cost by 20%, and the customer satisfaction index reports a ten point increase.

Business Case 3 *(Risk Mitigation, DOE)*

LikeNew2U.com, an online retailer of secondhand products, wished to significantly increase sales volumes to meet budgeted goals. Although prepayment is typically required for all orders, the company was able to design and perform a statistically valid test which confirmed that order volume dramatically increased if no prepayment was initially required. Given that such a shipment method contained an inherent amount of risk, LikeNew2U.com utilized data mining techniques of internal and external customer data to adjust its shipment policies to mitigate this risk. Orders from low risk customers were shipped entirely, with no credit card number requested. Orders from moderate risk customers were shipped in installments, requiring receipt of payment prior to the shipment of additional product. Orders from high risk customers prompted a request for a credit card number per standard procedure. In this way, LikeNew2U.com was able to significantly increase its sales while simultaneously limiting its exposure.