

BAYCORP

The debt management and collection business known as Baycorp was founded in 2006 as a de-merged component of long-established Baycorp Advantage Limited integrated with Portfolio Management Group (PMG). Baycorp is jointly owned by Allco Equity Partners and DB Capital Partners and provides services in respect of both business and consumer indebtedness.

Andre Debakhpouve
Head of Analytics and
Financial Reporting



Industry

Financial Services

Business Issue

Baycorp needed to be able to determine the right price to pay for a portfolio of debt by being able to accurately forecast the full or partial recovery of debt and the time it might take to reach recovery.

Solution

Baycorp uses SAS to help quantify the risks associated with buying large-scale debts by producing long-term statistically based recoveries forecasts.

Benefits

Baycorp has developed a number of client- and product-scoring solutions to help management determine what actions to take in respect of which debtor segments, at what intervals and in what sequences. The scoring is done using SAS, and the results are fed back into the company's core business systems to aid decision making.

Because successful debt management strongly relies on the sophisticated organization and analysis of data, and the computer systems used for this did not accompany Baycorp in the de-merger, the company's new owners took the opportunity to review its data analysis and modeling needs.

Andre Debakhpouve, Baycorp's Head of Analytics and Financial Reporting for both the Australian and New Zealand arms of the business, says, "We went to market and completed a comprehensive review of the analytical tools and systems available. SAS came out on top due to the depth of its modeling, reporting and data management capabilities. We have adopted SAS® Enterprise Miner™ as our main data management tool, SAS Analytics for predictive and descriptive modelling, and SAS® Enterprise Guide® as our graphical user interface."

He adds that SAS was also favored for its strong presence in the financial industries sector, explaining, "The leading banks and telecommunications companies are amongst our biggest clients, and so the fact that we, also, are using SAS business intelligence tools is an obvious factor in them feeling comfortable about choosing our services."

He also says that the commonality of SAS usage by major financial services companies, telcos and government agencies assisted Baycorp in developing client relationships at all levels by enabling its analysts to work alongside its clients' own operations.

Debakhpouve is a 12-year veteran in the use of analytics for risk management. Before he joined Baycorp at the time of its founding, he had been Head of Portfolio Risk Management at Promina Group – now a subsidiary of Suncorp-Metway Limited – and was earlier with the ANZ Banking Group as Senior Risk Manager.

With his team of six analysts, Debakhpouve uses SAS data mining and analysis tools primarily for debt pricing and debt scoring.

Said to be one of the most difficult yet critically important tasks related to risk management, establishing the right price to pay for a portfolio of debts involves forecasting as accurately as possible the likelihood of full or partial recovery and the time it might take to accomplish this.

Although the factors that must be taken into account include obvious data such as debtors' past payment histories, age of debt and the reputation for diligence of the creditors involved, extraneous data can – and ideally should – also be considered in the equation. Such data may include, for example, economic market and industry data that might apply to the portfolio, external geo-demographic information and even seasonality effects.

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Baycorp uses SAS to help quantify the risks associated with buying large-scale debts by producing long-term statistically based recoveries forecasts. This minimizes the danger of paying too much to buy a debt portfolio and adds objectivity to the often-complex decision-making process. Debakhpouve concedes that while the use of analytics certainly doesn't totally replace conventional business logic, common sense and experience, it is viewed, however, as a fundamental part of the risk assessment and pricing process.

Baycorp also uses SAS for debt scoring, which the company likens to the credit scoring disciplines adopted by financial services companies to assess the credit risk of borrowers, and which is based on a wide range of demographic and product-specific characteristics.

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“The initial results from the introduction of these scorecards are very encouraging

both in terms of minimising wasted recovery effort and improving recovery rates,” Debakhpouve says.

Whether it be for debt management specialists such as Baycorp – which is one of the region's independent “big four” – or for in-house collection teams, debt scoring has assumed heightened importance thanks to the currently strong economic environment and consequent near-full employment levels.

The great majority of overdue payment chasing is done by phone, and call center operators find it very difficult to attract good people, retain them long enough to train them to be accomplished call center agents, and then retain keep them long enough to recoup their investment.

Some organizations have outsourced their telephone payment chasing to overseas centers in recent times, but this has not always proved to be satisfactory; thus the real value of debt scoring is to determine the most optimal recovery practice options.

What next for Baycorp?

Debakhpouve believes that the use of analytics will be able to deliver significant incremental value to the business in many other areas. These include text mining, which he considers a best practice in call center man-

agement, and more analytically-based tools, including an envisaged “Baycorp Score” – an evolving and dynamic geographic region-based index of collectables outcomes which will help clients manage debt portfolios for optimal effectiveness.

He takes heart from the enthusiasm of both the company's board of directors and its CEO for technology-driven debt risk management and is convinced that SAS is the right provider for Baycorp – a conviction supported by the findings of independent industry analysts who consistently rate SAS a leader in the field.*

** In October 2007, Chartis Research – the UK-based leading provider of research and analysis on the global market for risk technology – rated SAS first in “core risk technology” for the second successive year. (Source: “RiskTech 100; A comprehensive market assessment of the top 100 risk technology firms, 2007,” Chartis Research, October 2007.)*



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