

Case study: credit card financial modelling

Brief



- Our European based client was developing a strategy to launch credit card offerings in **10 new markets** around **Europe**.
- Optima's key deliverable was provide a **revolving credit card financial model**; and
- To populate the model with 10 "launch" countries but with **flexibility** to include additional countries and changeable launch dates.

Approach



- We developed a **bespoke model** operating with quarterly inputs/outputs running over a **5 year time horizon**.
- Full **cohort modelling** was included to allow for different "front book" and "back book" pricing and marketing decisions.
- Included **21 distinct fee types**, along with the flexibility to assume **multiple acquisition channels** and associated costs.

Results



- The model produced the following:

✓ Income statement	✓ Cash flow / funding requirements
✓ Input summary	✓ Market share view
✓ Key performance indicators (incl. assumptions on fixed and variable components)	✓ Consolidated view and the individual country view
✓ Balance Sheet	✓ Key sensitivities

Impact



- Our model allowed the client to **critically assess their launch assumptions** and strategy enabling focus and resources to be directed to the most **profitable markets**.
- Following a face to face workshop and handover of the model and associated user documentation our client has **integrated the tool into their forecasting** and BAU processes.