REDWOOD

REDWOOD DEVELOPS SOUTH AFRICA'S FIRST ONLINE-ONLY CREDIT FACILITY WITH PROGRESS® CORTICON® AND MIP

South Africa has realized tremendous economic growth over the past few years, motivating consumers to spend more and broadening opportunities for local businesses, especially where it relates to e-commerce. It was out of this landscape that mobicred was born: South Africa's first online-only revolving credit facility. Customers can select mobicred as an online payment option, just like credit cards or PayPal. After a brief once-off online application process, customers are approved for a specific risk-based facility limit that they can use with any participating online merchant. Being a mass-market, retail based product, the mobicred option is particularly attractive in South Africa where approximately only 20-25% of consumers carry a bankcard, primarily as a result of banks tending to be more risk conservative. The other 75% have virtually no other means of purchasing online, other than opting for the onerous EFT payment option.

Recognizing the incredible market opportunity to provide an alternative payment solution, mobicred turned to Redwood, a Cape Town-based company specializing in consumer finance outsourcing, delivery and consultancy solutions for the South African, African and Middle Eastern markets.

"Competition in this area is fierce," explains Peter Versfeld, Chief Information Officer for Redwood. "If it takes more than a couple of seconds to complete a transaction using mobicred, the consumer has other payment options they can select. For that reason, mobicred was designed to be a lightning-fast, ecommerce aligned, real-time solution."

Building mobicred from the ground up, the company's standards for performance, integration and responsiveness were extremely high. Criteria for a new system included:

▶ Fast turnaround for on-line applications

▶ Easy integration to third-party data sources

▶ Real-time application assessment and credit granting

▶ Real-time purchase authorization

▶ Ability to comply with South Africa's complex regulation and legislation

▶ Fast customer service capability, and

▶ Online access for customers to update their data.

And Redwood needed all of this functionality delivered online and via web services – at a reasonable cost.

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CHALLENGE

Develop a one-of-a-kind, online-only revolving credit facility on behalf of a customer, being mobicred, that would compete directly with major credit cards like Visa and MasterCard and payment options like PayPal, although more retail aligned and mass market focused

SOLUTION

Selected the Integrated Lending Solution (ILS) from Progress partner MIP Holdings Pty Ltd. built on the Progress Corticon Business Rule Management System and Progress OpenEdge platform

BENEFIT

Accelerated its time to market, launching the new mobicred system in just 4 months, from proof of concept to deployment

✴ PROGRESS

Redwood evaluated a number of solutions to power mobicred. But the Integrated Lending Solution [ILS] from Progress Software partner MIP Holdings Pty Ltd. was the only system that provided all of the features and functionality Redwood needed in a single solution. ILS is a full-featured and comprehensive banking system, specifically focused on management of loans and revolving credit facilities. "ILS offered us a one-stop-shop solution and ticked off all of our boxes in terms of the credit and fraud risk management capability, compliance, business rules management, the database, the hosting service, ease of integration, and more. Finding everything we needed in a single solution would provide us with a faster time to market, at a lower cost. And we liked the idea of working with just one vendor under a single SLA. MIP was also a solid company with an excellent reputation, which instilled the confidence we needed to move forward," explains Andrew Goodrich, Chief Executive Officer for Redwood.

ILS is powered by Progress Software technology. The Progress® OpenEdge® database securely retains all information on customers and is used in real-time to approve or decline online purchase transactions from multiple on-line retailers and sales web sites. A key component to ILS is the inclusion of the Progress Corticon Business Rule Management System as the decision engine to drive the process of approving or declining an application, and for those approved, to allocate a spending limit on the account. All of this activity has to happen in real-time while the online applicant waits for a decision. Thus, speed and flexibility of the rules-based process is paramount to completing the purchasing transaction.

"We were particularly attracted to Progress Corticon. It is very flexible and configurable, which is especially important from a consumer finance/credit perspective relative to effecting risk strategies. We realized that this agility would accelerate our time to market, improve our competitive advantage, reduce costs and ultimately increase revenues. For example, we launched mobicred in just four months – from proof of concept to deployment," says Goodrich.

This faster time to market enabled Redwood to quickly provide mobicred with a state-of-the art solution that is a first of its kind. "In today's competitive online retail world, it is essential to provide an applicant looking for credit with a response in as short a time as possible," explains Goodrich. "While there are currently no direct opposition offerings to mobicred, creating a barrier to entry for any new player is seen as critical, as is retaining the market leading position."

The flexibility of ILS with Progess Corticon also lends itself to keeping up with the rapid pace of change as well as evolving compliance regulations. "The ability to quickly modify or add rules is vital to keeping customers happy, especially in a start-up environment where you are constantly making changes," says Versfeld. "Progress Corticon makes it easy for any savvy technical business user to implement changes without having to go through layers of development teams or support desks. Today, with Progress Corticon, we can modify a rule in almost real-time instead of the hours or days it would take if we were dependent on hard coding."

MOBICRED AND PROGRESS CORTICON IN ACTION

When a customer goes to complete an online transaction, he or she is given a number of payment options – one of which is mobicred. If the customer does not already have a mobicred account, they are prompted to apply for a facility in real-time. 'Light' application capture screens are presented to the new applicant which, when completed, trigger a whole series of events. An initial request goes out to conduct basic data validations and to rule out the most obvious fraud situations. Assuming the customer appears valid, the request then goes to a third-party credit bureau via a web service to return the applicant's credit rating record, i.e. Trade Line data, Payment Profile, etc. Once that data comes back, Progress Corticon then

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Chief Executive Officer
Redwood

PROGRESS

conducts a series of rules-based decisions and performs an analysis check of the credit risk of the consumer. After a credit risk decision has been made, and using an affordability algorithm, Progress Corticon evaluates how much that person can afford, how much of a revolving facility mobicred should extend to them based on the assigned risk category, and apply any risk-based pricing to the repayment terms. As complex as this may seem, all of this activity happens within 2-3 seconds total, appearing instantaneous to the consumer and allowing them to immediately continue the purchase using their new facility.

PURSUING NEW OPPORTUNITIES

With the success of mobicred behind them, Versfeld says there is tremendous potential for Redwood to leverage the underlying infrastructure for additional new ventures and client opportunities the company is developing with MIP. "Consumer credit is quite a fast-paced environment. This model really lends itself to keeping up with the needs of the market, the needs of the customers, and potential business opportunities."

Those opportunities are both local and beyond. With mobicred and the underlying Progress Corticon engine, Redwood has already proven that the solution can be adapted to cater to South Africa's complex regulation and legislation. "We haven't even scratched the surface in terms of the rest of Africa; there is so much potential for us throughout. So we are confident we can easily adapt and extend this type of application to other markets, for example in the Middle East. Of course there will be differences, but with Progress Corticon we can simply apply the logic to those rules," says Goodrich.

A SIMILAR APPROACH TO BUSINESS

While MIP offered Redwood the best technology to meet its needs, the two companies also shared a similar approach to business. "When we work with clients we take a long-term approach. Many of our customers are start-ups, so we try to give them the best possible opportunity to get off the ground in a lower upfront investment and expedited time to market manner, all whilst offering them 'best of breed' solutions and advice, realizing that their success will pay greater dividends in the end," explains Goodrich. "In a similar fashion, MIP was very flexible with our needs and committed to our long-term success. We had numerous discussions around what constructs would work best for our company, and were able to agree on a model that would pay off for both companies in the long run. This shared approach to business has been key to the success of this project and, we anticipate, many more to come in the future."

MIP SELECTS PROGRESS CORTICON TO ENHANCE EXISTING SAAS OPENEDGE-BASED ILS APPLICATION

It is that same similar approach to business that has linked MIP to Progress. For over two decades, MIP has relied on Progress Software technology to power its applications. "Throughout the years, Progress has managed to provide MIP with access to new technologies and methodologies without compromising support for the legacy. This has enabled ILS to remain up-to-date and relevant in the on-line world of cloud services," explains Patrick O'Reilly, Chief Technology Officer for MIP.

When the company was approached by Redwood to work on the mobicred project, MIP realized it needed to add business rules management to the existing Open-Edge based ILS system to meet the projects' specific requirements. MIP faced a number of challenges. Redwood wanted the flexibility to be able to adjust the decision logic at their own discretion, which meant the business rules management system had to be intuitive and flexible. Traditionally, such logic would have been embedded into software code. But this method would not provide the

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flexibility Redwood desired, and any miscommunication between business requirement and technical solution developers would lead to incorrect decisions.

"Progress Corticon proved to be the perfect fit," explains O'Reilly. "Progress Corticon's decision logic is incredibly powerful, yet can be easily managed by business analysts rather than programmers. This enables real-time flexibility of the decision rule sets, and puts the customer entirely in control. And the clear isolation of the business decision logic from the banking administration of ILS makes it easy to modify the rules without influencing the basic functionality of the application. The closely aligned database and business language have always been strength of Progress. The addition of business rules management through Progress Corticon extends this business focus and puts the business directly in control of their decision logic."

O'Reilly believes the adoption of Progress Corticon is proving to be a clear competitive advantage for MIP. "We are now looking at different markets and actively seeking areas where we know we can deliver improvements with this automated approach to business rules."

Like any competitive company, MIP periodically reviews its technology options. "We have found time and again that there is no reason to leave Progress. Their clear focus and strategy with Progress Pacific is on business applications. And they continue to provide us with the tools we need to evolve our solutions and grow our business," says O'Reilly. "The Progress OpenEdge database is rock solid--that can't be overstated; the cost of ownership is incredibly low; maintenance is extremely minimal; the system can scale to meet any needs we have; the ABL language is incredibly easy for developers to learn; and the addition of Progress Corticon is enabling us to take our applications to a whole new level. Progress gives us everything we need to move our business forward."

ABOUT REDWOOD THIRD PARTY PROCESSING (PTY) LTD.

Redwood Third Party Processing (Pty) Ltd. is a Cape Town based company specializing in consumer finance outsourcing, delivery and consultancy solutions for the South African, African and Middle Eastern markets, providing access to 'best of breed' processing, credit risk management and operational platforms, infrastructure and services within competitive and cost efficient means. www.redwoodgroup.co.za

ABOUT MIP HOLDINGS PTY LTD.

POWERED BY PROGRESS

MIP Holdings Pty Ltd. is one of the largest financial solution providers in South Africa. MIP's products and services are diversified to accommodate the specialized administration needs of medical aids; managed healthcare; employee benefits; personal finance; lending; treasury; research & development; mobile banking & tracking and mobile locations. http://www.mip.co.za