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## Credit Bureaus Looking Abroad for Growth

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Though credit bureaus and other data providers have largely saturated the U.S. market for credit information, in other countries such markets are just starting to develop.

Seeing an opportunity for growth, the three major credit bureaus and Fair Isaac Corp. are trying to crack these emerging markets, with Experian Inc. leading the pack.

For these companies, one of the greatest challenges is that many countries forbid lenders to report positive information about consumers. It is hard to sell consumer credit scores and reports based solely on late payments and other black marks, the bureaus say. That is why they generally start with business-to-business offerings.

Experian, of Costa Mesa, Calif., always enters a country with decision-support products for lenders and expands from there, said John Saunders, the CEO of its international unit.

Michael Shannon, a group executive at Equifax Inc., called consumer offerings abroad a "nascent" business. His Atlanta credit bureau was in the United Kingdom for 13 years before it developed a consumer product, he said.

Rodolfo Ploder, Equifax's group executive for Latin America, said that when offering consumer products in foreign countries, "you need to find physical points of distribution." For example, his bureau sells credit reports to consumers in Argentina through post offices. "We are finding ways to reach individuals in other ways than is traditionally done in the U.S.," he said.

Though consumer credit products may not be in high demand overseas, providing services to lenders in these places presents plenty of opportunity, the bureaus say. "We're not seeing saturation anywhere," Mr. Saunders said.



**Saunders:** Experian starts with decisioning products, expands from there.

He said Experian "had ambitions to become a global business 20 years ago." Last year it made 46% of its sales outside the United States. Though many of those sales were in the United Kingdom, the bureau — which is to be spun off from its British parent, GUS PLC — has operations throughout Western Europe.

"Since the U.K. is a small country, in order to grow we had to look abroad," Mr. Saunders said. "If we were an American company, we probably would not need to look abroad as much."

But Equifax and Chicago's TransUnion LLC say they have a strong incentive to expand overseas. Harry Gambill, TransUnion's chairman and chief executive, said its international business is "growing more rapidly than the enterprise itself."

International business made up just 10% of the company's revenue last year, but with the U.S. information services market already "very mature," the international segment is one of its fastest growing, he said at an investor conference last week.

Ralph Sorice, the president of the international division at Trans-Union, said it changed its strategy four years ago by making its operations in various countries share more information with one another. TransUnion, which is in over 30 countries, has a strong presence in Mexico, Central America, and the Andean region of South America, as well as in southern Africa and parts of Asia. Mr. Sorice said it does not do much in Western Europe because that area is "well served by Experian."

Equifax's Latin American business, which includes operations in Brazil, Argentina, Chile, El Salvador, Peru, and Uruguay, accounted for 7% of its 2004 revenue. There is a "tremendous level of uptake in analytics and enabling technologies" in Latin America, Mr. Ploder said. Scoring and decision-making tools are a

“very important growth engine.”

Frederick Searby, an analyst at JPMorgan Chase, said Equifax “has done very well in Latin America already” and “dominates” Brazil.

“If they can do it in Brazil, my call is they can succeed anywhere of size,” he said. Indeed, Equifax has also made inroads in the United Kingdom despite Experian’s presence. In 2003, Equifax launched the first Web site to let British consumers obtain credit information without special personal identification numbers. The other U.K. credit bureaus required that such PINs be sent to customers first. Some later changed their policies. The Web site was “a competitive differentiator,” Mr. Shannon said.

Fair Isaac, the Minneapolis provider of FICO credit scores, has operations in 60 countries and is putting “real growth plans in place abroad for the first time,” according to its chief executive, Thomas Grudnowski.

“We’re managing on more of a global basis than we have in the past,” he said at last week’s investor conference. “We’re building management infrastructure for the first time abroad.” Fair Isaac plans to add 50 salespeople by the end of this year for its international efforts.

Though to varying degrees, the three bureaus have their sights set on India, China, and Russia. According to TransUnion’s Mr. Sorice, India is “by far the most outstanding” opportunity. “I really see that market being more proactive and open to wanting to be able to develop,” he said.

Experian and Equifax sounded more hesitant. With a large borrowing population, India will be “a key market” for Experian “in the future,” Mr. Saunders said. “We’ve got people looking for opportunities for us” there. Mr. Shannon of Equifax said India “is not ready” for his bureau to move in.

One market that is ready, the bureaus say, is China, which Mr. Shannon said is on Equifax’s radar.

“It’s a country you just cannot ignore,” he said.

Mr. Sorice of TransUnion agreed. “The drive to get more housing and automobiles is such that you know you want to be well-positioned over the next five years.”

Though China does not have a credit bureau, the Chinese government has signaled plans to build one — and retain control over the information. The American bureaus are waiting for legislation

that would determine how they could use the information.

With a presence in Hong Kong and outreach efforts throughout China, TransUnion says it has positioned itself to be the country’s preferred provider. “It’s a matter of just keeping the relationships in the greater Chinese markets,” Mr. Sorice said. “Developing the trust factor is a critical issue in the Chinese marketplace.”

Experian, which is already selling decision-making products in China, says it too is poised to do well there. “We feel as though we’ve been in the region for a long time, and it’s just that it’s taking off now,” Mr. Saunders said.

Mr. Saunders said Experian would look for acquisitions in China, including software, consulting, and scoring firms. “There are 100 million people starting to borrow” in China, he said. “Consumer credit is growing and will continue to grow.”

Experian has partnered with Interfax, a Russian information provider, and plans to launch a national credit bureau there this summer. TransUnion signed an agreement with a group of Russian banks in April to launch a competing bureau. n