



Experian®

Consumer Information Services



Experian TAPSM Total Annual Plastic Spend

The first commercially available spend algorithm built from credit data



Experian TAPSSM

Product Overview

- TAPS is the first ever commercially available spend algorithm built from credit data
- Experian TAPSSM uses longitudinal credit data to estimate the last 12 months of spend on credit and charge cards
- It calculates spend, separately, on each trade line, then aggregates those trade lines to provide a snapshot of an individual's annual spend



Annual
Annual Spend
\$24,100
\$24,100

| Purchase Volume* | 2010 (Bil) | Share |
|------------------|------------------|---------------|
| Visa | \$809.3 | 39% |
| Master Card | \$479.3 | 23% |
| Amex | \$476.3 | 23% |
| Discover | \$107.2 | 5% |
| Store | \$127.9 | 6% |
| Oil | \$47.0 | 2% |
| Other | \$5.2 | <1% |
| Total | \$2,052.2 | 100.0% |

Experian TAPS captures >90% of all credit card spend

- VISA
 - MasterCard
 - American Express
 - Discover
- Trade lines, a.k.a. "General Purpose Type Credit Cards"

Experian TAPSSM

Features



- **FCRA compliant**
- Can be used for **adverse action**
- **Validated** on the accounts of multiple card issuers and network trade lines
- **Available** via batch processes and on line credit reports (*online coming soon!*)
- It's calculated at the **individual level**
- Calculate a lender's **wallet share** for each consumer through the use of Experian subcodes
- Returns **5 data elements**: total spend, pay rate, client spend, other spend, wallet share
- It's not aggregated by zip code (geo-modeled) or inferred – it uses actual individual data



Experian TAPSSM

Features: Wallet share

Experian TAPSSM can also calculate a lender's wallet share for each consumer through the use of Experian subcodes

What TAPS Calculates.....

| Customer | "Valley" Bank Spend | "Mountain" Bank Spend | "Ocean" Bank Spend |
|-------------|---------------------|-----------------------|--------------------|
| Bob Morton | \$ 3,500 | \$ 3,500 | \$ 8,000 |
| John Doe | \$ - | \$ 1,500 | \$ 1,500 |
| Sue Jones | \$ 8,000 | \$ - | \$ - |
| Tracy Smith | \$ 30,000 | \$ - | \$ 15,000 |

What Client (i.e. "Ocean Bank") would receive

| Total Spend | Avg Balances | Pay Rate | "Ocean" Bank Spend | Other Spend | Wallet Share |
|-------------|--------------|----------|--------------------|-------------|--------------|
| \$15,000 | \$3,800 | 63% | \$ 8,000 | \$ 7,000 | 53% |
| \$ 3,000 | \$ 300 | 10% | \$ 1,500 | \$ 1,500 | 50% |
| \$ 8,000 | \$2,100 | 13% | \$ - | \$ 8,000 | 0% |
| \$45,000 | \$4,500 | 87% | \$ 15,000 | \$30,000 | 33% |

Note: The best predictor of *future spend* is a consumer's prior year spend. TAPS interprets the last 12 months of balance and payment history and calculates a proxy for historical spend. Therefore, it is not a model per se, but more like a complicated attribute.



Experian TAPSSM

Features: Returns 6 data elements

Experian TAPSSM returns 6 fields

| | | | | | |
|-------------|-------------|----------|--------------|-------------|--------------|
| Total Spend | Avg Balance | Pay Rate | Client Spend | Other Spend | Wallet Share |
|-------------|-------------|----------|--------------|-------------|--------------|

- **Total Spend:** Sum of total spend over the last 12 months for an individual
- **Average Balance:** The sum of the years average balances on credit card trades
- **Pay Rate:** The proportion of a consumer's average monthly balance that is spend (spend/ avg bal / 12)
- **Client Spend:** Sum of total spend over the last 12 months for an individual on the clients trade lines only. a.k.a "On Us" Spend
- **Other Spend:** Total Spend – Client Spend, a.k.a "Off Us" Spend
- **Wallet Share:** Client Spend / Total Spend

Experian TAPSSM

Algorithm Development



- Algorithm calculates the last 12 months of total card spend
- Validated on the accounts of multiple card issuers and network trade lines
- The TAPS algorithm discriminates spend, accurately and independent of balances with R2 of 0.75-0.87
- TAPS is complimentary to Vantage Score, credit line strategies and utilization and thus can rank within sub-segments.

Experian TAPSSM is the first commercially available algorithm that uses credit data to calculate spend



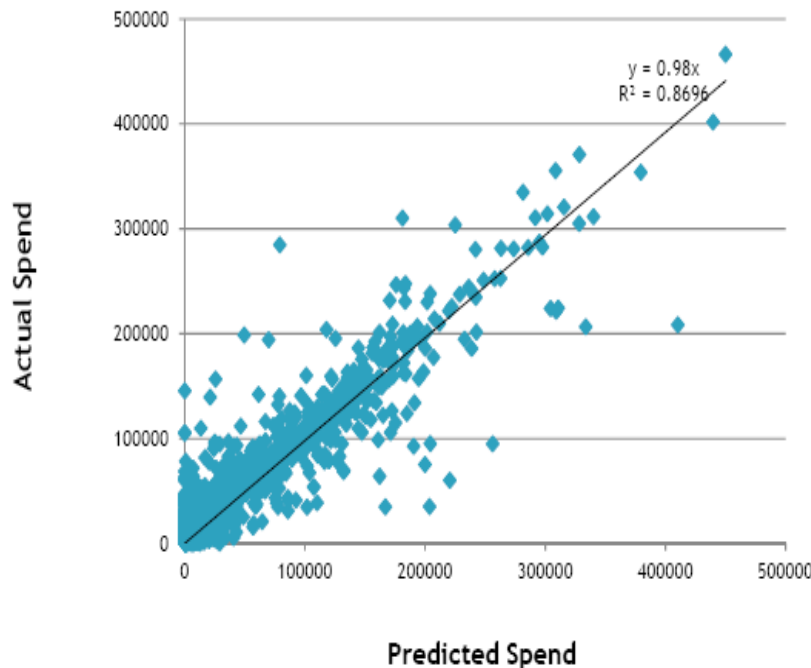
Experian TAPSSM development

Does it work? Predicted Spend vs. Actual Spend

Predicted spend tracks actual spend with an R^2 of 0.87

Predicted vs. Actual Spend

Validation on Different Issuer



- An independent validation sample was scored and compared with actual spend over 10 vintages of 12 months: $R^2 = .78$
- A similar validation on a different issuer was also conducted: $R^2 = .87$
- R^2 or “Coefficient of Determination” is a measure of the proportion of variability that two variables share, or in other words how much one can be explained by the other.
- The Coefficient of Determination above of .87 means that approximately 87% of the variability of each variable is shared with the other.

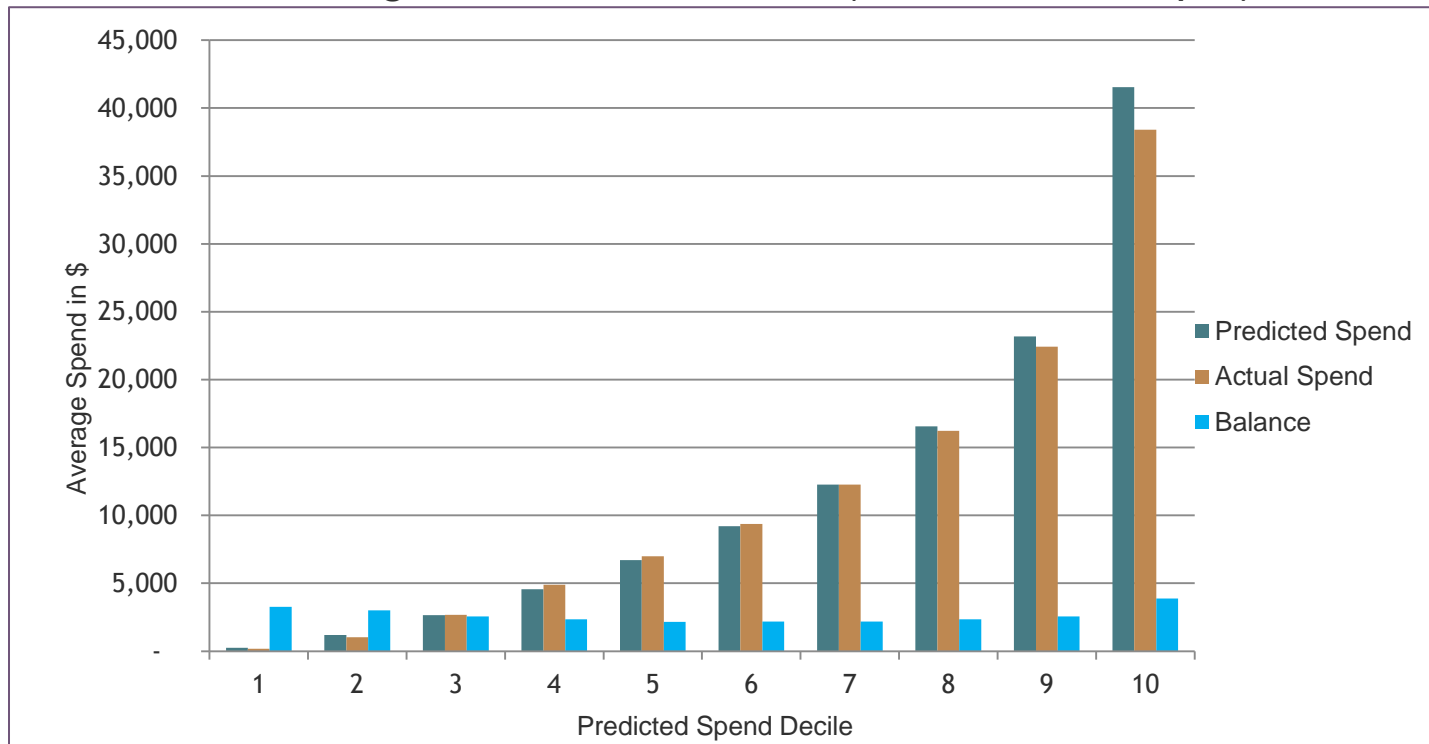


Experian TAPSSM development

Accurately captures spend

- The TAPS algorithm discriminates spend, accurately and independent of balances, with R^2 of 0.75-0.85

TAPS algorithm Performance (Validation Sample)





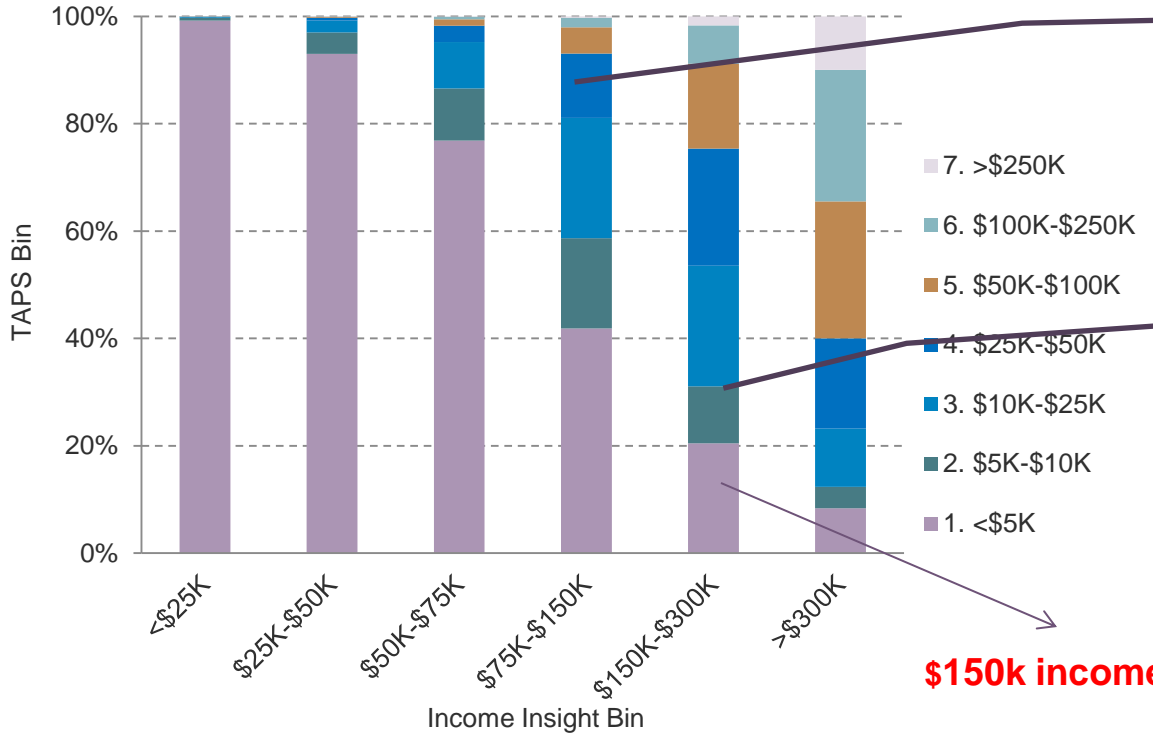
Experian TAPSSM validation

Compliments income models

TAPS varies significantly within Income Insight bins

TAPS Bin within Income Insight bins

% of Accounts within each Income Insight Bin



Income: \$75-\$150K

- 40% spend <=5K
- 80% spend <\$25K

Income: \$150-\$300K

- 20% spend <=5K
- 55% spend <\$25K

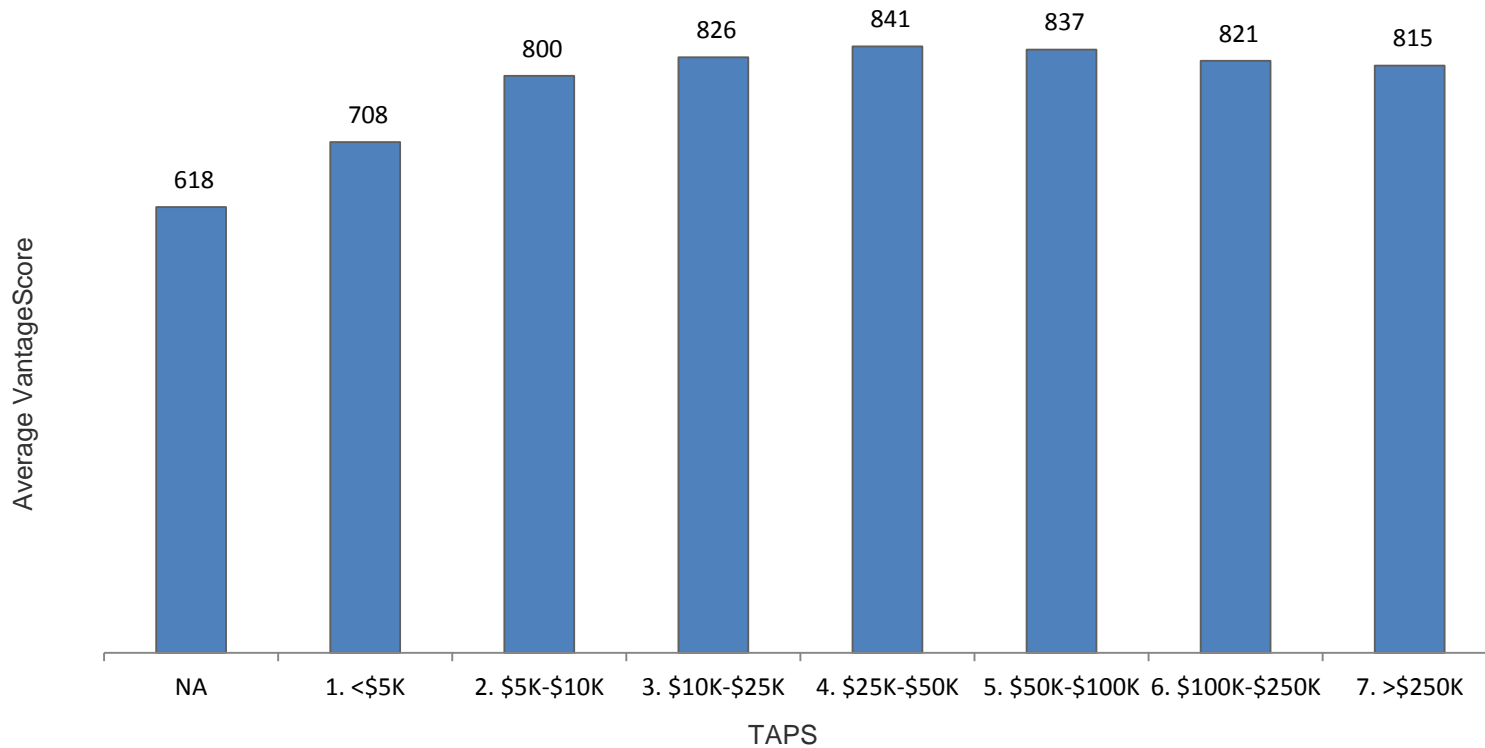
\$150k income w<5k spend = Potential debit users



Experian TAPSSM validation

Will allow targeting across multiple risk bands

VantageScore is not correlated with spend. TAPS is a necessary complement to a risk score.

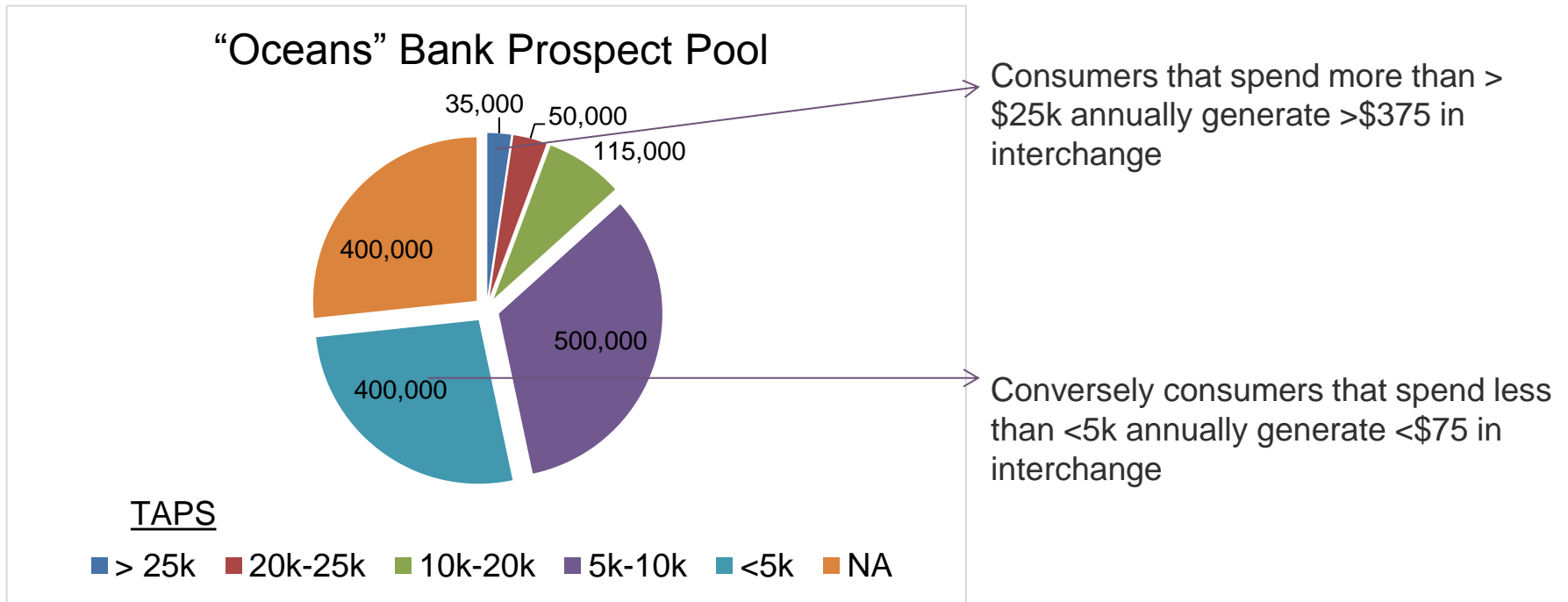




Experian TAPSSM

It's all about "Spend"....

- Experian TAPSSM helps Clients calculate profit by providing an estimate of consumer spend.
- The Dodd Frank act has restricted lenders ability to generate income from Fees and APR changes. Interchange is one of the last levers issuers can use to offset the reduction in income.

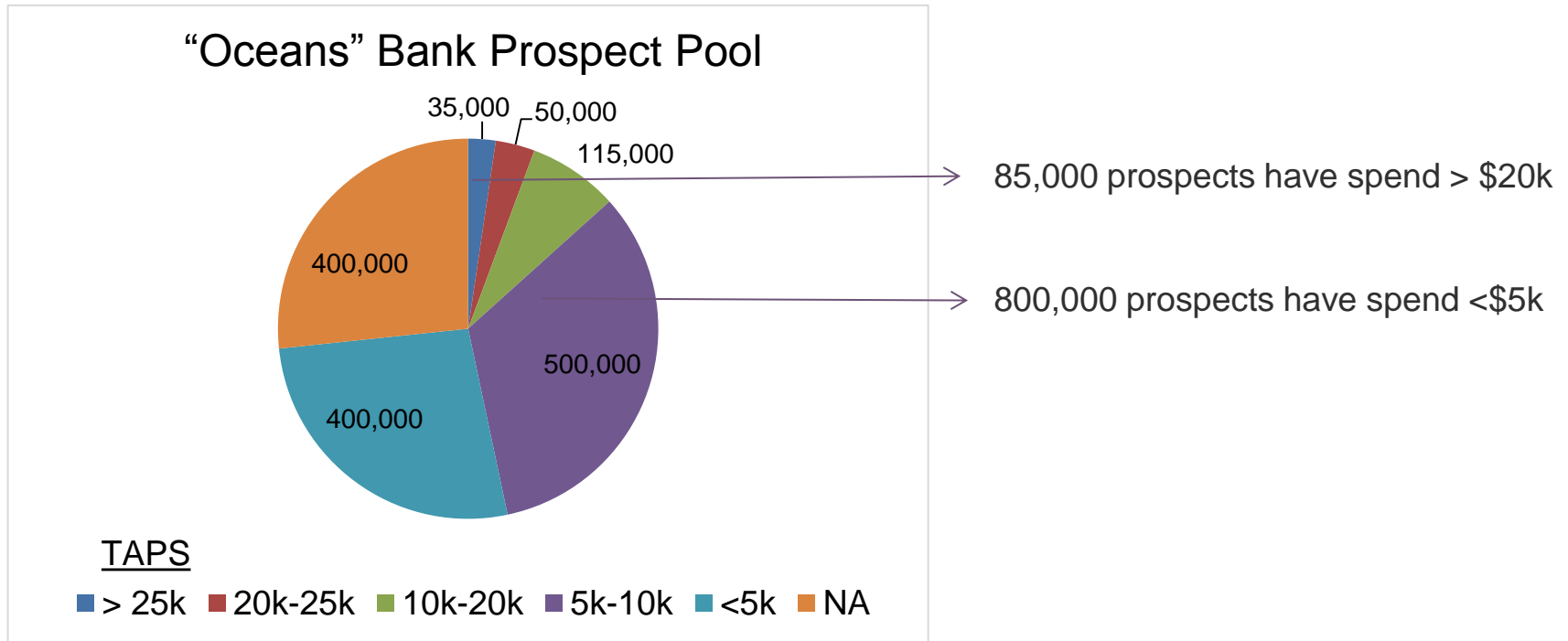




Experian TAPSSM

Prospecting: Capture spend on a prescreen universe

- Experian TAPSSM helps clients prioritize marketing investments and target higher spending consumers.
- Example “Oceans” bank goal is to target a Prescreen campaign of 100,000 consumers in one month. 1.5mm consumers passed their risk threshold.

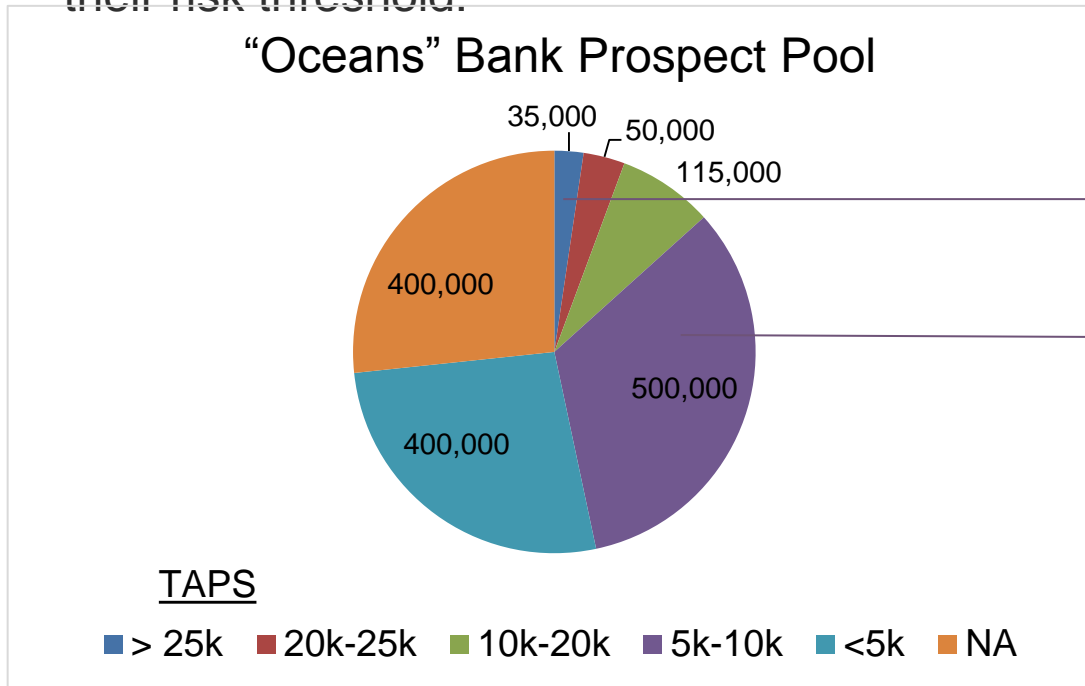




Experian TAPSSM

Prospecting: Issuers can offer the right product

- Experian TAPSSM helps Clients optimize enhanced value propositions to the right spending segments.
- Example: “Oceans” bank wants to optimize their mail selections, offering rewards to some and no rewards to others. 1.5mm consumers have passed their risk threshold.



Option 1: Offer standard rewards with no cap

Option 2: Add a cap but offer higher rewards (reduce “reward” abuse)

Option 1: No cap rewards

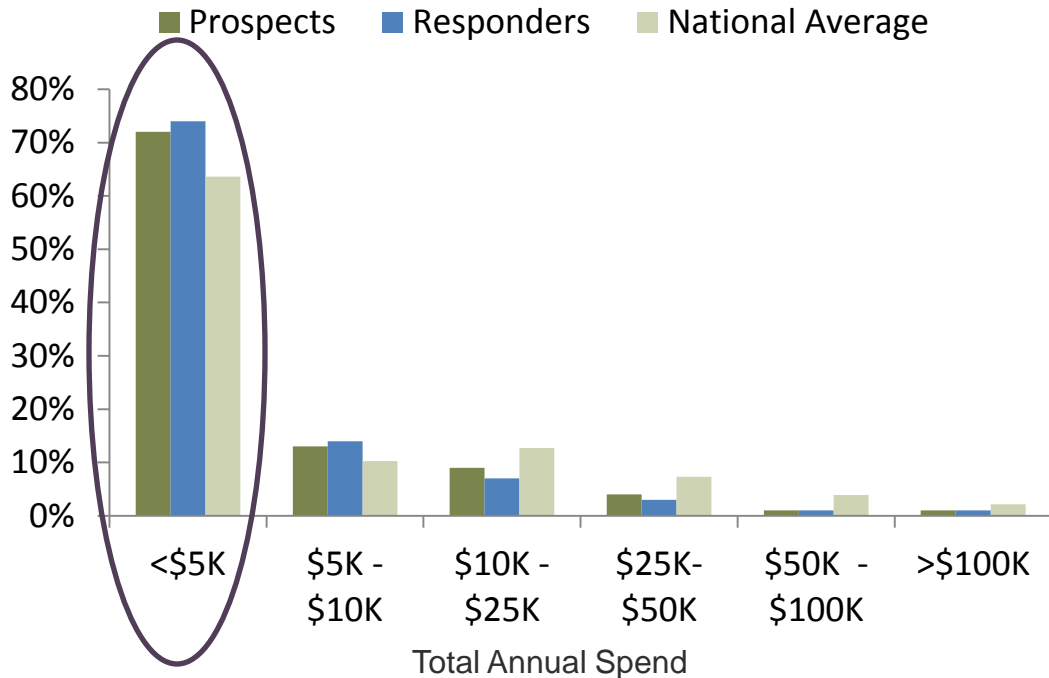
Option 2: Brand only



Experian TAPSSM

ABC Bank was soliciting prospects with low annual spend

ABC Bank Acquisition Pool



- Before TAPS, ABC Bank targeted low spending consumers. More than 70% of prospects spent < \$5k annually
- The focus was lost on acquiring and managing “high potential profit” consumers

Using TAPS to target higher spending prospects, while suppressing those with no spend, helped **lower mail costs** and enable **new and more differentiated strategies**. These enhancements included **better rewards offers, and enhanced mail pieces**.



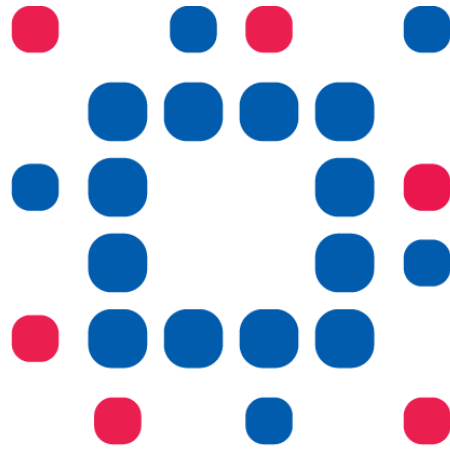
Experian TAPSSM Next steps

Getting started

Free Validation

- If Client provides at least 10k records from their portfolio with:
 - ✓ Name, address and SSN
 - ✓ Monthly spend for last 12 months
 - MCC code
 - Date of transaction
 - Amount of transaction
- Experian will add the TAPS values for each record, validate accuracy on client-specific trade lines and will:
 - ✓ Explain any variations and trends
 - ✓ Segment and report as requested by the client
 - ✓ **Provide all the data back to the client for their analysis***

**Note : Similar to a risk analysis, this is an archive, so no PII can be returned to client, thus the transaction data must be on the input file, allowing the client to analyze the detail, when the file is returned.*



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