

Risk-based Pricing

Optimize your
acquisition strategies



Risk-based Pricing maximizes your portfolio's profitability by pricing products according to the risks and costs associated with an individual consumer or small-business account. Our program is tailor-made to meet your specific business objectives and requires minimal financial investment. An Experian consultant develops your pricing program for up to eight products, provides guidance on implementation and monitoring, and conducts ongoing evaluations and recommendations. Gain competitive advantage with account pricing strategies that yield compelling offers to your prospects and profitable opportunities for your business.

Enhance portfolio profitability

As consumer and small-business credit risk continue to grow, pricing your customers according to risk level is critical to maintaining profitability. Risk-based Pricing allows you to price loan applicants in order to be competitive and profitable by determining the cost to originate, service and terminate each product by pricing tier. Our program is flexible enough to utilize any new applicant score, and it incorporates your policies, procedures and lending strategies for maximum results. Risk-based Pricing can help:

- Improve the profitability of new accounts
- Ensure consistent pricing
- Increase the volume of booked accounts

- Provide strategies to address adverse selection
- Raise approval rates
- Integrate your existing cost structure to determine expected tier/product profitability
- Consider overall organizational profitability when making recommendations

Sustain portfolio growth

Understanding portfolio risk and opportunity is critical for portfolio growth. By pricing customers according to the true risk they represent and understanding the costs by risk tier, you can offer more price points to expand the size and makeup of your portfolio. This information allows you to understand the components driving profitability by product and to effectively

manage bad rates. It also can help you meet increasing regulatory requirements as oversight authorities scrutinize lending practices and policies.

Maintain profitability regardless of market conditions

As a result of a slowing credit market, the acquisitions focus for credit grantors has shifted to lower-risk consumer segments. Risk-based Pricing is critical for adjusting acquisition strategies that generate attractive offers to low-risk consumers. Increase market share and build customer loyalty by making creditworthy consumers feel they are getting rates they really deserve. The flexibility of Risk-based Pricing makes it optimal for any economic climate. Our consulting team will adjust pricing recommendations as market conditions and your business objectives change.

Leverage industry-leading optimization software

Our consulting team utilizes Marketswitch OptimizationSM to more efficiently price credit products through mathematically sound pricing formulas. This powerful optimization software uses mathematically based patented algorithms to maximize decisions made across your customer life cycle. At

its core, Marketswitch Optimization is an allocation process that delivers truly optimal decisions based on strict mathematical analysis. It balances multiple decision variables within the limits established by user-defined constraints and ultimately helps you determine the most valuable customer strategies. You also may augment your Risk-based Pricing service by adding an interactive scenario capability, utilizing the power of Marketswitch Optimization to run pricing scenarios.

Maximize revenue potential with unlimited, ongoing consulting

Experian[®] provides expert statistical consulting, including a one-day, on-site educational session for management and staff. Some of our most common consulting features include:

- Explanation of risk-based pricing concepts, methodologies and strategies
- New pricing program for up to eight products and eight pricing tiers for each product
- Updates to the pricing program
- Recommendations regarding implementing pricing policies and procedures

- Operational and compliance considerations
- Ongoing monitoring and review of strategies
- Best practices and common pitfalls to avoid
- Unlimited telephone and e-mail support throughout the life of the contract

About Decision Analytics

Experian Decision Analytics helps clients make better, more insightful decisions and create greater value from customer relationships across their entire book of business — from consumers to small and commercial enterprises. Clients use Decision Analytics' data intelligence, analytics, technology and consulting expertise to expand customer relationships; manage and mitigate credit risk; prevent, detect and reduce fraud; meet regulatory obligations; and gain operational efficiencies. Decision Analytics provides the intelligence used by leading businesses worldwide to assess with confidence the potential risk and reward of critical business decisions.

To find out more about Risk-based Pricing, contact your local Experian sales representative or call 1 888 414 1120.