

Decision Analytics

Decision Analytics unlocks the value of Experian's vast Credit Services data assets and other data sources by applying analytical tools, scoring, software and systems to convert data into valuable business decisions. Decision Analytics offers two key services: credit analytics and decision support software and fraud solutions.

Decision Analytics' products are often used as the key method of entry into new geographic markets. They are a significant growth opportunity for the business because of their potential for global reach and their position at the forefront of product development and innovation. This opportunity is enhanced by the ability to combine the products with Experian data.

Credit analytics and decision support software

Experian has developed a global expertise in statistical analysis and scorecard development to enable clients to make consistent, high quality and efficient decisions about credit risk, customer marketing and account management. Its products fall into four main categories:

- Scoring
- Strategy Management
- Strategy optimisation
- Application processing

Scoring

Statistical analysis of data is used to define the characteristics (variables) that are most predictive of a consumer's future behaviour. A scorecard typically contains a list of 15-20 characteristics each of which is assigned points that reflect whether it is a positive or negative indicator of future behaviour. Usually, the characteristics that are associated with high risk result in an applicant losing points, while those linked to likely good performance (number of years in present job, for example) will gain points. When the points for all the characteristics are added together, the result is the final score for each individual.

This final score is judged against a pre-set range that the lender has determined is an acceptable risk, based on the ratios of good accounts to bad accounts. A credit cut-off score is the lowest acceptable final score. Any applications that score below this are rejected or are offered a product with different pricing and terms. There is not usually one single characteristic that would cause an application to be rejected - the scorecard balances all elements and it is the overall picture that counts.

Types of scoring models available include:

- **Application scoring** models are used by lenders at the time of issuing a new credit arrangement to assess the statistical probability of the account falling into arrears in the future. Scoring enables lenders to identify correctly the quality of an applicant against their own criteria before choosing whether to accept or decline the application.
- **Behavioural scoring** is used throughout the customer life cycle to help lenders assess a customer's suitability for additional products, based on their previous account payment history and credit behaviour.
- **Credit risk scoring** uses previous payment history to predict the likelihood of future credit risk. Credit risk scoring helps reduce the number of low quality, high-risk credit applicants that would previously have been accepted by the lender. Credit risk scores are also used to help set pricing and terms for new credit offers.
- **Credit marketing response scores** are used to predict the likelihood of a consumer responding to a new offer of credit.

Experian also offers bespoke decision support software to enable clients to process applications more efficiently and to implement, manage and optimise customer strategies.

Benefits of using scorecards for organisations:

- unbiased analytical assessment, not reliant on an individual judgment;
- decisioning is consistent whenever and wherever it is applied;
- provides the lender with improved control over acceptance levels and bad debt levels;
- reduces bad debts typically by 15%-30% over traditional subjective decisioning.

Benefits of using scorecards for consumers:

- applicants are treated equally and are not subject to the personal views of credit underwriters;
- offers made are relevant and targeted;
- creditworthy applicants are more likely to have their applications accepted;
- by screening out those accounts most likely to go bad, companies can expand the number of other applications that are accepted;
- by controlling bad debts, companies are keeping costs down and thus interest rates, making products more affordable.

Strategy Management

Experian's Strategy Management solutions help leading companies around the world to make more intelligent, faster decisions about whether to accept new (and unknown) customers, extend the credit arrangements for existing customers or target them with new products.

Strategy Management is used at every point of the relationship with a customer, from first targeting and accepting the customer into the organisation, to monitoring their performance and determining when would be the best time to offer new or additional products. In the event that an account falls into arrears, Strategy Management can define what processes to adopt in managing the account through to collections and recovery, including suggesting appropriate follow-up actions at every stage of the process.

One of the key features of Experian's Strategy Management solutions is that from their own PC, clients can design and test new strategies. By segmenting customers based on similar characteristics and applying scorecards for a range of objectives, an organisation can accurately assess an individual against their objectives and make the right decision in order to achieve their goals. Strategy Management solutions may be integrated with application processing, marketing or customer management systems. They may also operate independently in an organisation to guide strategy and policy decision-making.

Typical users of Experian's Strategy Management solutions include credit risk underwriters (making the decisions about who to lend to), credit marketers (deciding which variation of a product to offer a given applicant or existing customer and on what terms) and credit risk managers (deciding on the mix of applicants for the company to balance financial risk and returns).

Benefits for a credit-issuing organisation:

- increase the number of 'accepted' credit applications without increasing financial risk;
- reduce origination costs;
- generate customer loyalty by providing rapid and tailored decisions for each individual;
- provide greater speed and control in the development and delivery of customer acquisition and customer management strategies;
- ensure consistency of rules and strategies deployed throughout a branch network and over multiple geographies.

Benefits for a consumer:

- faster acceptance of credit applications;
- better customer service, with quicker acceptance and more targeted marketing offers;
- not reliant on subjective decisions of individuals.

Strategy optimisation

Experian's Strategy Optimisation helps leading companies around the world make the best decisions about each account in a portfolio in order to yield the highest profit and return on investment.

Strategy Optimisation maximises profit and return on investment by identifying the most profitable decision for each and every customer interaction. Experian's optimisation technology uses patented mathematical algorithms to calculate these decisions across portfolios or on a recurring basis such as is required in application processing.

Strategy Optimisation can be used at every point of the relationship with a customer. The optimisation technology can be deployed stand-alone or within Experian's Strategy Management solutions to ensure an efficient, integrated and superior decisioning solution.

Benefits for a credit-issuing organisation:

- maximises profitability and return on investment for every customer interaction;
- flexible, easy to use software;
- ability to arbitrate across competing business goals, objectives and operational constraints;
- robust simulation and decision planning.

Experian Strategy Management to help HSBC make billions of lending decisions each year

The client

HSBC is one of the world's largest banking and financial services organisations, with over 125 million customers in 82 countries.

Everyday, HSBC makes millions of decisions in the management of its customers' accounts and applications. It may be to authorise a payment to facilitate an Internet or in-store purchase, to consider an application for a new or increased credit limit, to determine the most appropriate product to offer, or to decide whether a customer can access money from a cash machine.

The issues/challenges

The ability to take those decisions quickly and accurately is critical to the success of HSBC's different delivery channels and operations around the world. Just as important is that each decision is taken in a timely, consistent and fair manner, wherever they are made and whatever the circumstances.

The solution

Faced with increasingly complex requirements and customer demands, HSBC chose Experian's Strategy Management software to assist in the delivery of mission-critical solutions. Strategy Management is a sophisticated business tool, used by over 600 organisations worldwide, that enables organisations to automate or simplify large volumes of decisions. It does this by assessing relevant information and customer requests against a wide array of regulatory, business and commercial requirements and objectives.

"Experian's Strategy Management solution will become an integral part of our global business," explains Chris Hawkes, Head of Group Retail Credit & Risk at HSBC. "It is enabling us to achieve consistency in decision-making across HSBC's diverse operations, whilst improving the speed and quality of our decisions. For our customers, it means that we can provide quicker decisions, offer a wider range of products and provide options that are more relevant to their particular needs and circumstances. In short, it is an essential component to delivering high quality customer service."

"Once we have rolled it out fully across our business, Strategy Management will be helping us make the billions of decisions we need to make each year."

Experian and HSBC have a longstanding relationship spanning 21 years and six continents.

"Like HSBC, Experian operates globally, but with a strong local focus on the markets in which it operates in order to provide local solutions" says Chris Hawkes. "In Experian we have a trusted global partner with the experience and technology to support our business going forward."



Credit analytics and decision support software

Application processing

Experian offers a range of scalable application processing solutions around the world to manage all stages of the credit application process, from capturing and verifying applicant information, to analysing and scoring the information and implementing a lender's acquisition policy.

Our application processing systems help lenders to reduce the cost and time taken to prepare data, whilst improving the speed with which an application can be processed. Data is captured from a lender's completed credit application form, over the telephone or online, and can be combined with additional information derived from existing databases, either within the client organisation or from other third party sources (including links to over 70 credit bureaux around the globe).

Experian's application processing systems, incorporating Strategy Management, are designed to ensure that appropriate data can be input to a lender's systems simply and efficiently, providing intelligent help features, short form address capture (eliminating the need to type out standard address elements in full) and applicant address targeting. All these features help lenders to reduce the cost and time taken to prepare data and train staff to use the system. For the consumer, they improve the speed with which an application can be processed.

Key products and systems include:

- Transact SM (software);
- Connect+ (hosted solution);
- Autoscore;
- CEMS (customer event management system).

Benefits:

- Streamlines business processes by providing full automation of the customer acquisition process.
- Enhances customer service and product take-up with decisions delivered in seconds at the point of customer contact.
- Minimise fraud and associated reputational losses by incorporating application and identity fraud checks.
- Improves customer decisions by incorporating shared data from many other lending organisations into the process.
- Assesses data using sophisticated analytics and a rules-based decision engine.
- Improves management information and understanding of customer trends by using comprehensive reporting facilities.

Typical users of application processing systems include:

- banks;
- credit card issuers;
- organisations that grant personal or trade credit;
- mortgage lenders;
- insurers;
- retail finance companies;
- mobile communications providers;
- home shopping companies;
- online lead generation companies.

Major finance company implements automated decisioning across Europe

The client

The client is a leading commercial and consumer finance company, providing customers with financing and leasing products.



The issues/challenges

They needed a solution that would automate credit decisioning, decreasing processing time and increasing the volume of applications from customers. They wanted to consistently implement and centrally control lending policies, risk management and credit decisioning by integrating the solution with their operations across Europe, but still allow for bespoke credit decisions in each country.

The solution

For efficiency and speed of process, it was important that the client had a single consistent system that provided instant real-time decisioning. They chose the global application solution, Transact SM from Experian.

The client's Transact SM solution receives, validates and processes applications from multiple channels. It is a centralised multi-country, multi-language and multi-currency solution, which allows the client to input data from external credit bureau sources and provide bespoke automated credit solutions to each of its vendors in each country. Transact SM gives the client a single web-based solution across all countries to enable the centralised management control and reporting that was key to their requirements.

Following implementation, the client saw automated decisioning rates up 75% within three months of operation through a streamlined, efficient operation with 80% of automated decisions made in less than 20 seconds. Risk management has been enhanced through consistent decisioning, application costs are controlled and the client can grow through the rapid deployment of the solution into new operations and territories.

The client's Head of Risk, said, "This project has been a great success as we have been able to deploy Transact SM easily with the support of Experian's business consultancy in multiple country locations. This, coupled with its technology, makes Experian an ideal partner to help us deploy and grow our business in new markets."

Customer service levels improved and bad debts reduced by fifty per cent

The client

The client is the UK's leading office supplies provider with thousands of small business customers making large numbers of generally small purchases. The client is renowned not just for the quality and breadth of its offering and pricing but also for its customer service, especially the fast turnaround of orders. The client already uses commercial credit scoring to ensure all the necessary credit vetting is undertaken prior to processing orders in a fast and efficient manner.

The issues/challenges

Due to data quality, the client's existing credit scorecard system did not provide consistent credit ratings and was unable to provide decisions. The client decided to undertake a rigorous data trial to check the data quality of its existing system against an Experian automated decisioning system.

In 85–90% of cases, the Experian system returned a full report and credit score, even on the smallest of companies. This compared very favourably with the client's existing supplier, which only returned a full report in 17% of cases.

The solution

The client switched to Experian as a result of the trial and was provided with access to the online commercial credit application processing system, incorporating online business and consumer information as well as Commercial Delphi, a highly predictive scoring solution.

This online approach has enabled the client to improve the speed and quality of its credit decisions and has made a huge difference to debt reduction. By the end of the first year of use, it had reduced bad debt by fifty per cent – directly influenced by the new credit scoring system, which is used to check new and renewed business. Existing customers are now checked on a rolling 12 months basis.

The Credit Controller for the company commented: "The fact that Experian is able to access lots more information, including the track records of directors, County Court Judgment history and payment performance data, has been hugely valuable and made a considerable difference to our business. We are able to make more profitable decisions more effectively and have considerably reduced our exposure to risk and unpaid debt. Customer service levels have also improved thanks to the speed and quality of our credit decisions."

Fraud solutions

Experian offers a range of fraud prevention tools which are used by hundreds of the world's leading financial institutions. By sharing valuable and timely information about known fraudulent applications and transactions with other business sectors nationwide, greater fraud prevention success can be achieved.

- **Authentication services** provide the information needed to instantly verify customer identity and prevent fraud, while conducting secure transactions online and at call centres.
- **Credit card verification** checks whether a customer is using a valid, authorised credit card. It authenticates the user's link to the card in real-time to avoid transaction processing delays and potential fraud. Charge-backs and fraudulent transactions can be reduced significantly by verifying that consumers are using authorised credit cards.
- **Detect** provides significant savings to credit grantors by highlighting fraud instantly at the point of application, before the loan or personal finance facility is granted. Detect finds fraud by comparing application details with a range of data sources to identify anomalies that highlight potential fraudulent applications.

A powerful fraud checking system and predictive fraud scorecard are used to interpret unusual matches in the data, which can indicate that the application may be fraudulent.

- **E-identitycheck** combats identity fraud by providing a qualitative assessment of the degree of confidence a client can have in a customer's identity. It accesses several hundred million consumer information records in Experian's databases and then applies powerful Detect processing, which highlights identity fraud. The results of the processing are displayed in the form of an identity index value with the data that was used to calculate it.
- **Fraud Shield** offers protection from even the most sophisticated application fraud by launching a comprehensive series of checks, searches and counters to screen every application against information in the credit report.
- **Fraud Shield Score** is a unique solution that combines the most predictive fraud and high-risk indicators into one score for US clients. It helps identify which applications are most likely to be fraudulent or in need of further review.

- **Hunter** identifies fraudulent new accounts or claim applications throughout the financial services, telecommunications, retail and insurance sectors. It does this by automatically checking new applications and claims against themselves, any previous applications or claims, suspect information and known fraudulent data. The latest version, Hunter II, provides online functionality, enhances workflow to increase productivity amongst fraud prevention teams and uses artificial intelligence techniques to rank and prioritise matches according to their potential for being fraudulent.
- **Knowledge IQ** challenges response processes using personal, confidential questions from credit and other databases to which only the consumer knows the answer.
- **National Fraud Database** is the first shared database of known cases of fraud in the US. Experian has joined forces with a consortium of businesses from several industries to provide a single point of access to consumer fraud records. The National Fraud Database is a powerful resource used to highlight fraud patterns and define and identify fraud attributes.

Subscription to the National Fraud Database is open to any business entity that needs information on known fraud records and represents data from a variety of sectors, including banks, credit card issuers, telecommunications providers, automotive companies, retailers, insurers and mortgage lenders.
- **Precise ID** validates and verifies application data through multiple credit and non-credit databases and returns highly predictive fraud and identity risk scores.

Experian's Authentication Solution improves client's ability to prevent fraud over the Internet

The client

CheckFree is a leader in providing financial electronic commerce services and products, from powering electronic billing and payment, and automating financial transactions, to streamlining regulatory reporting tasks. By the end of 2006, over 26 million consumers had initiated online payments through services managed by CheckFree.

The issues/challenges

Fraud and identity theft are a growing concern today on the Internet with financial implications for both the consumers and the Internet companies involved. CheckFree's concerns were that they needed to obtain a better performing consumer ID verification solution for authenticating new members during their online enrolment process.

CheckFree interviewed a number of data providers using the following selection criteria: ease of implementation, quality of data, pass rate and cost per acceptance. Their stated goals were to improve their existing pass rates while also achieving greater operating efficiencies.

The solution

CheckFree selected Experian's Authentication Solution for ID verification to meet their goals. Authentication Solutions is a powerful tiered application employing proprietary Experian technology to verify and authenticate a consumer's identity. **CheckFree sent Experian an initial test file for processing which yielded results that surpassed CheckFree's expectations.** Experian was awarded a pilot test for its product and participated in a champion challenger test. The pilot test ran for three months before the contract was awarded.

Following a rigorous analysis process, decision makers at CheckFree viewed Experian's solution as the best choice because of the quality of Experian's data, improved pass rates, ease of implementation and reduced costs achieved through automated processes. The solution is presently operating in a 'live' environment and thus far has helped CheckFree improve operating efficiencies and historical pass rates by 5 per cent.

Experian's Hunter II saves millions in fraud prevention for RBS

The client

The Royal Bank of Scotland Group (RBS) is one of the world's leading financial services providers. RBS' activities cover account management, savings, loans and credit cards for both professionals and private individuals. It also sells life and general insurance and investment products through its subsidiary Direct Line.

The issues/challenges

"Fraud is growing rapidly with fraudsters becoming more sophisticated and operating on a global stage. Protecting customers in different markets over a wide range of products is a significant, ongoing challenge for large organisations," said David Bowerman, Director of Group Security & Fraud. "The first and best strategy is prevention, identifying and stopping fraudsters at the point of initial contact, such as when they apply for an account or, for insurance, when a policyholder makes a fraudulent claim.

The solution

RBS chose to upgrade to Experian's HUNTER II solution which will become the Bank's primary application fraud detection platform helping prevent fraud for all areas of the retail banking and general insurance divisions.

The solution combines flexible corporate data sharing, a group-wide search capability, detailed management information, tools and reports, flexible and configurable referral management and access to value added data sources, whilst fulfilling both online and batch processing requirements.

In selecting Hunter II, RBS will take a corporate approach to fraud prevention, providing a single platform that facilitates effective data sharing at a group level. **HUNTER II will be used across 27 brands, 21 product types and tens of millions of customers, supporting both the Group's current and future business plans.** Experian's consultants have worked with RBS to design and implement a solution that covers many varied requirements, optimising both best practice and fulfilling user training needs.

The RBS Group is currently using Hunter to screen in excess of 20,000 customer applications per day. **The initial Hunter implementation has achieved multi-million pound fraud prevention benefits,** with additional financial and efficiency savings predicted as the solution is fully implemented across the Group.