LENDING REVOLUTION

Competitive challenges require transformational tools
Lenders have been using analytics to drive decisions for decades. But lending institutions not taking action to modernize analytic technology and access to business intelligence are now at risk of losing market share. This is especially true of regional lenders due to competitive pressures from multiple angles. At the smaller end of the scale, community lenders have lower overhead, strong customer relationships, and can more easily offer personal service while preserving profit. At the larger end of the scale, growth-minded national lenders and new-paradigm startups are drawing on deep pockets to chip away at regional lenders’ market share. To make matters worst, niche players that have flooded into the market might still be operating under the regulatory radar. You’re stuck in the middle.

To add to the competitive urgency, even some of your peers are now accessing meaningful and actionable business intelligence derived from robust, cloud-based, modern analytics solutions that don’t require a massive investment in new resources.

The problem with traditional analytic tools is that they’re increasingly less effective at delivering the market insights you need to make confident, defendable decisions. Traditional tools are siloed in nature, function specific and based on solitary data sets residing in disconnected legacy solutions. They lack the benefits of enterprise-wide connectedness, economies of scale, and efficient consumption of external data that modern analytical architectures provide.

In short, modern technology allows you to easily access richer information and actionable insights to drive new revenue opportunities, more cost-effective marketing, and real-time alignment of underwriting parameters to market risk.

As the lending ecosystem changes, how can you acquire and retain more customers for long-term mutually profitable relationships?

Without a doubt, it will require an investment in modern analytics tools. Benefiting from advancements in technology, you have options today that didn’t exist until recently.

The following insights serve to provide guidance in five areas:

• Six limits of yesterday’s solutions
• Hallmarks of a modern analytics platform
• The shift in business intelligence
• Innovative technology in action
• Picking the right partner

### TOP LENDER CHALLENGES¹

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Challenge</th>
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</thead>
<tbody>
<tr>
<td>53%</td>
<td>Competing against newer companies and innovators</td>
</tr>
<tr>
<td>61%</td>
<td>Competing against larger lenders in their markets</td>
</tr>
<tr>
<td>74%</td>
<td>Growing portfolio without increasing risk</td>
</tr>
</tbody>
</table>

¹ Lenders Reveal, TransUnion and Versta Research Survey, 2016
There are clear indications that consumer preferences are changing, as reflected in a recent J.D. Power study. Customer satisfaction with regional lenders plateaued compared with their larger counterparts in 2016—the first time in 11 years.

**CUSTOMER SATISFACTION FALLING**

Satisfaction is measured on a 1,000-point scale

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
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<tbody>
<tr>
<td>Customer satisfaction with the largest lenders</td>
<td>793</td>
<td>787</td>
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<tr>
<td>Customer satisfaction with smaller and midsized lenders</td>
<td>797</td>
<td>802</td>
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SIX LIMITS OF YESTERDAY’S SOLUTIONS

A 2016 survey found 95% of lenders believe that analytics capabilities are important for their companies to succeed in today’s marketplace, but only half are satisfied with their current analytics capabilities.3

These findings indicate a large upside potential for regional lenders that move quickly to update their access to on-demand market insights and analytics. Those who wait will find it increasingly more difficult to compete because an outdated analytics platform presents multiple roadblocks, such as:

**Operational constraints**: Data usually reside in multiple functional silos, are not normalized for integration, not always up to date, nor updated consistently. Many businesses struggle to know what data they have, where the data came from, or how to access data sets and turn them into usable business insights when needed.

Often, yesterday’s technology solutions have limited data storage capacity and cannot easily absorb and integrate the amount of data produced today.

**Unattractive to new talent**: Older technology can also thwart efforts to find and retain talented team members. Particularly Millennials – who account for 25% of the U.S. workforce today and will account for 50% of the global workforce by 20204 – tend to avoid engaging with employers that don’t have modern technology infrastructure and practices.

**Inefficiency**: Older systems also have limited accessibility because collective data are not in one spot and there’s no universal interface. Even if old technology has been patched and tweaked for years and still works, users of that technology aren’t able to benefit from the flexibility and speed of modern technology.

Users typically wait to receive an extraction of data, which slows down compliance reporting, problem solving and first-to-market opportunities. There’s also the risk of human error within the communication loops and hand-offs among various roles, such as data fulfillment, marketing, risk management and analysts.

**Lack of self-service**: Not only are older systems limited in efficiency, they also prevent lenders from optimizing value from data assets due to lack of self-service. Sourcing, cleansing, linking and interpreting data can be a colossal undertaking, especially when every analysis requires you to collaborate with IT.

Analysts should be analyzing, not spending time trying to make the data workable.

**Competitive costs**: Traditional analytics technology and practices do not enable end-to-end customer lifecycle management, which could mean missed revenue opportunities that often come at transition points in a customer’s lifecycle. Also, traditional analytics strategies cannot provide rapid benchmark assessments against competitors and the marketplace. As new competitors enter the lending industry, such insights are crucial for quick response to changing circumstances in order to protect and grow market share.

**Complexity in compliance**: Older technology does not allow for efficient tracking and reporting of exceptions in decisioning processes. It also tends to be inflexible and not scalable. Alone, antiquated technology can’t store the amount of data lenders need to preserve for compliance purposes. These shortfalls make compliance more costly and complicated, compared to modern technology.

To support today’s massive flows of business data, lenders need sophisticated, recently-developed technologies to source, access, process, store and secure data. If you’re struggling with any of the above limitations, read on to see how these roadblocks are avoided with new transformational analytics environments.

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3 Lenders Reveal, TransUnion and Versta Research Survey, 2016
4 PwC, Millennials at work: Reshaping the workplace
“Insights will spoil if enterprises don’t use them in a timely fashion. Competitors that have fresher data and the analysis to use it effectively will have an advantage.”

— Perishable Insights—Stop Wasting Money On Unactionable Analytics, August 2016, Forrester
Intelligent growth decisions require immediate access to relevant, actionable information. Modern analytics platforms unite and integrate data and make tools accessible across the enterprise, so more proactive and insightful business decisions are possible.

**Web-based delivery**
Modern solutions incorporate cloud computing for limitless data storage, as well as no-touch service delivery and software maintenance. Online delivery also gives users access to teams of analytics and technology specialists who are always working behind-the-scenes to improve user experience and outcomes.

**Self-service data visualization**
New technology allows for clear representations of data that are easy to interpret and explore. Cutting-edge platforms offer an interactive user experience with both pre-packaged, configurable reports and the ability to customize viewer analysis to meet your needs.

**Comprehensive**
Today’s on-demand analytics platforms can quickly absorb and integrate both existing and new data. Additionally, the more data within the system, the more context in the output. This means users receive high-value, multi-dimensional insights instead of single-dimension reporting. Users can make a decision after considering all angles and perspectives, including real-time realities, i.e., the difference between making marketing decisions based on what happened in the last fiscal year versus immediately identifying unmet need in your market.

**Speedy, on-demand access**
Modern platforms can provide needed insights in real-time, without involving data and/or IT specialists. With instant access, anyone on the team can analyze data at the pace business demands.

**Channel neutral**
Best-in-class platforms provide web-based, 24/7, direct access consistently across channels. Thus, no matter how widely your team is dispersed, they can all access the same rich data.
“Insights-driven businesses bring insights, not just data, into every decision, and they know exactly how to use them for greatest advantage across the entire customer lifecycle.”

— The Insights-Driven Business, July 2016, Forrester
Investing in modern analytic technology can allow your analysts to be analytical without getting bogged down. The days of challenges in cleaning and prepping data—leaving very little time to analyze in order to build strategies and make confident decisions—can be a thing of the past.

Utilizing modern technology helps your team see data the way they need to see it, thus spending more time analyzing data for actionable insights, allowing for greater agility in decision-making and speed to market.

For example, internal analysts can help set strategy, while external resources help with the heavy lifting of direct statistical efforts, such as model building and report development.

Practically, this means finding the balance between “renting” talent, expertise and technology versus owning it; and assessing and planning performance goals based on a comprehensive view of internal and external metrics in real time.

Technology has driven a shift to using business intelligence for greater operational efficiency with speed of insights and reporting—but without added resources.

Any investment in transformational analytics tools today should help a lender realign with this business intelligence shift.

Below are how some of yesterday’s business models have shifted:

### ALIGN TO THE BUSINESS INTELLIGENCE SHIFT

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<td>YESTERDAY</td>
<td>Consultants</td>
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<td>Self-referencing</td>
<td>Days/Weeks</td>
<td>Fixed strategies</td>
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INNOVATIVE TECHNOLOGY IN ACTION

There are many ways to reap good returns from an investment in an advanced analytics platform. The common denominator is smart, defendable strategies that justify your decisions to the board or a regulatory body. The extra edge is understanding how well you and your competitors are performing in specific market segments to help shape your growth strategies.

Consider the following opportunities for return on investment (ROI) that could arise based on the use of an on-demand modern analytics platform.

**GEOGRAPHIC CONCENTRATION STRATEGY**
- Gain market insights at various levels of geographic granularity
- Identify competitive gaps in the market
- Investigate risk tier performance
- Monitor risk segments by geography

**RISK-RETURN OPTIMIZATION**
- Understand risk tier distribution with market insights
- Evaluate risk across new account growth
- Understand credit performance by originating risk tier
- Create risk thresholds that optimize return

**BUSINESS REVIEWS**
- Understand and explain ongoing trends
- Identify outperformance or underperformance
- Validate decisions with quarterly benchmark reports
- Benchmark your performance against the market and peers

**SIZING INCREMENTAL INVESTMENT OPPORTUNITIES**
- Evaluate the market and peer performance with speed
- Substantiate new product types for existing customers
- Access historical trends to gain a market perspective over time
- Easily size economic opportunity in specific markets or geographies
“If you’re not using advanced analytic tools, you’re limiting your **ability to fully take advantage of everything at your fingertips**, and you become progressively less competitive.”

— Steve Chaouki, executive vice president of Financial Services at TransUnion
PARTNERSHIP SHOULD BE A MULTI-PHASE, LONG-TERM COMMITMENT. In addition, although modern analytic tools can be used swiftly and may result in measurable growth, a true partnership also builds in the value it provides over time.

When selecting a technology partner to deliver access to data and analytics capabilities, look for:

- A combination of data science expertise and experience, and knowledge of the lending business. This will help with long-term success because the partner will have an understanding of your challenges and needs.
- Comprehensive and robust functionality out of the box. The solution should be user-friendly and intuitive so that users can focus on the content and not the technology.
- A partner that’s compliant and regulated for financial services. Lenders have to defend their decisions and so should their partners. Providers should be steeped in regulatory knowledge and experience, so their solutions don’t increase risk, but actually reduce it through better reporting.

SMARter DECISIONS IN AN EVOLVING LENDING MARKETPLACE

Regional lenders are at a crucial decision point. The industry is changing, and future-focused leaders are increasingly using business intelligence and a modern analytics platform to grab market share and operate more efficiently.

Not only has TransUnion seen the lending industry change, we’ve helped it to evolve, by modernizing our analytics infrastructure. Our experience has shaped the solutions we offer today, utilizing new technology to elevate enterprise-wide success drivers that can help you preserve and grow market share.

LEARN MORE

To learn more about TransUnion’s lending analytics platform, email us at analytics@transunion.com or call 844-245-4071.
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