Experian TAPS^{SM}
Total Annual Plastic Spend

The first commercially available spend algorithm built from credit data

Experian TAPS℠
Product Overview

- TAPS is the first ever commercially available spend algorithm built from credit data
- Experian TAPS℠ 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

	Purchase Volume*	2010 (Bil)	Share
Credit Cards	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"

$3,000 $0 $8,000 $1,000 $100 $0 $12,000 $0

Annual Spend on Each Card

= Annual Spend $24,100

Annual

$24,100

Experian TAPS℠ 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 TAPS℠
Features: Wallet share

Experian TAPS℠ 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 TAPS℠
Features: Returns 6 data elements

Experian TAPS℠ 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 TAPS℠
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 R^2 of 0.75-0.87

- TAPS is complimentary to Vantage Score, credit line strategies and utilization and thus can rank within sub-segments.

Experian TAPS℠ is the first commercially available algorithm that uses credit data to calculate spend
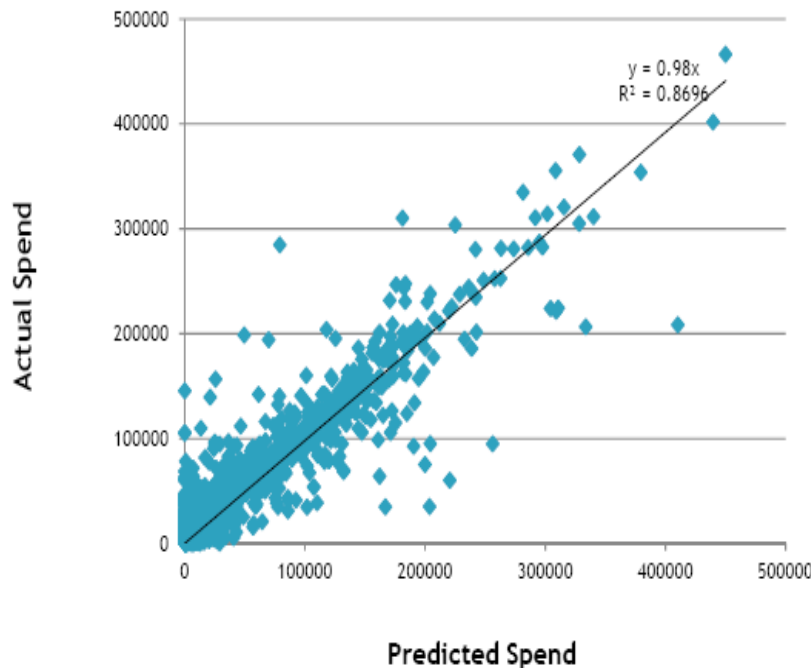
Predicted spend tracks actual spend with an R^2 of 0.87

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.
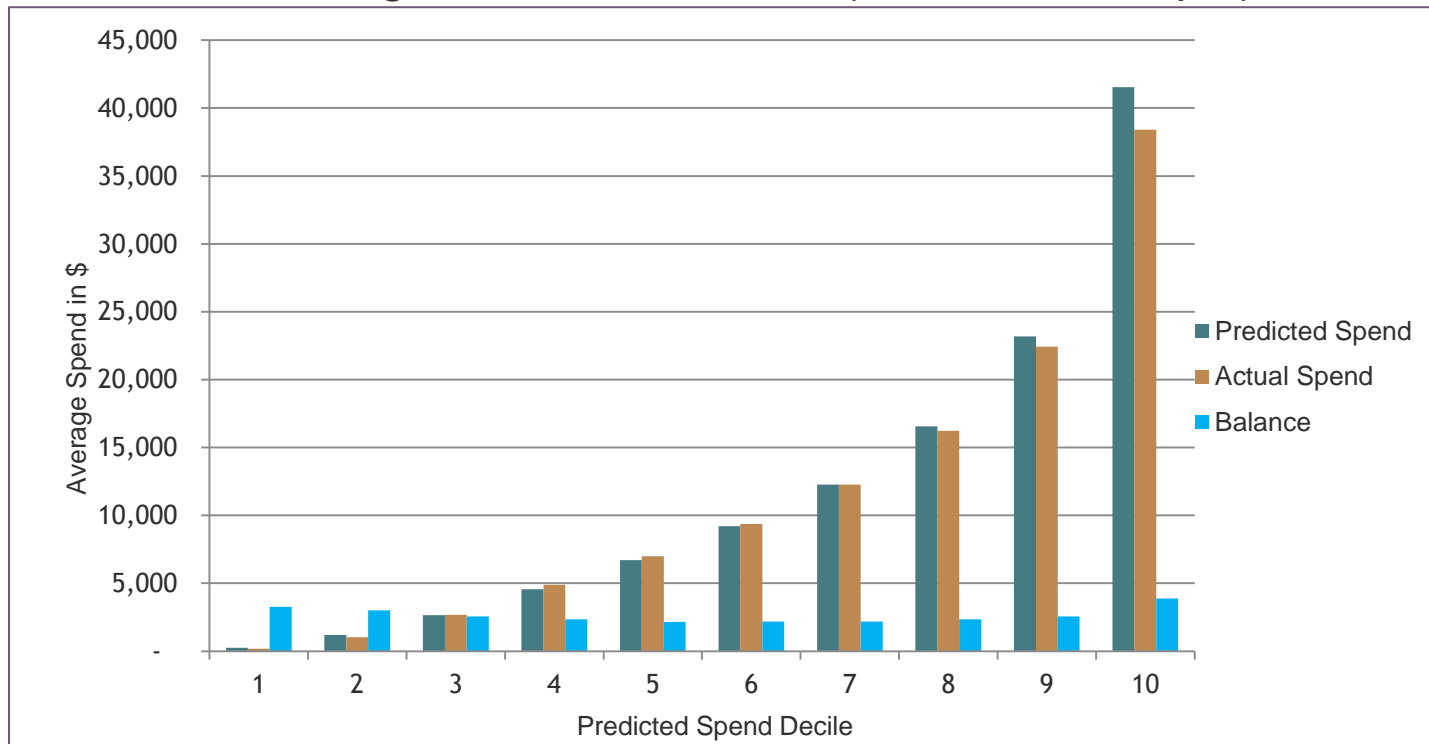
Experian TAPS[SM] development
Accurately captures spend

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

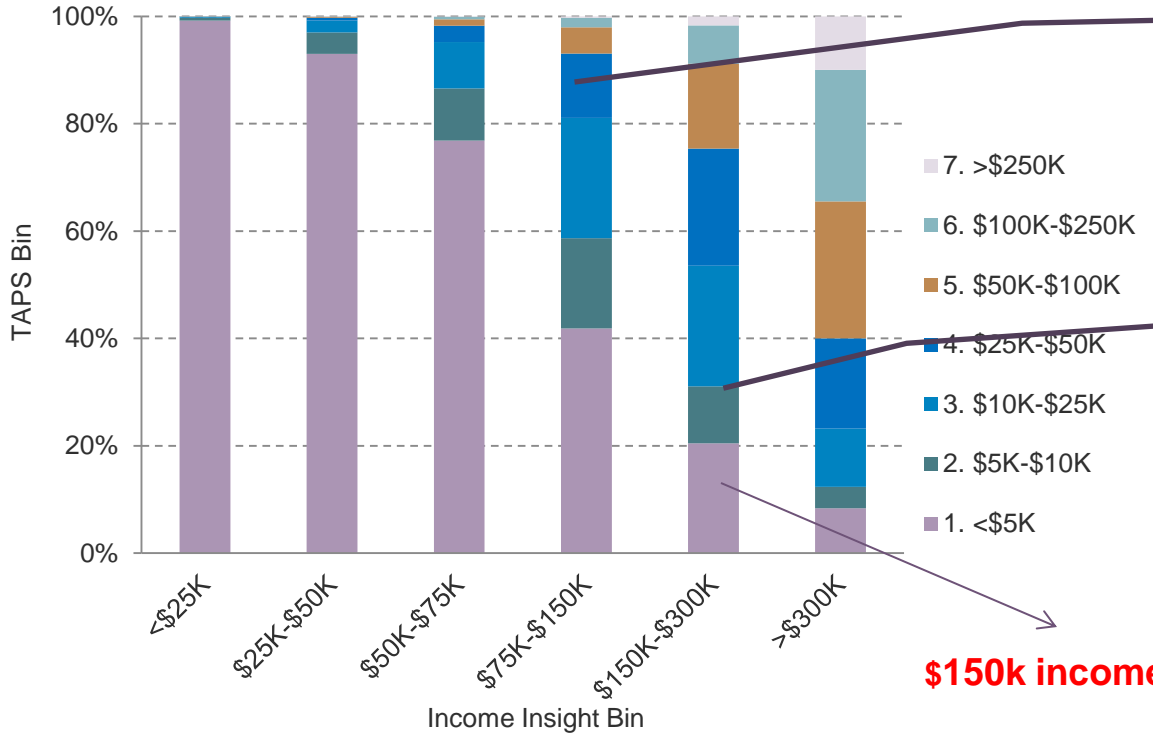### TAPS algorithm Performance (Validation Sample)

Sources: Experian analysis

Experian TAPS^SM validation
Compliments income models

TAPS varies significantly within Income Insight bins

TAPS Bin within Income Insight bins

% of Accounts within each Income Insight Bin

Legend:
- 7. >$250K
- 6. $100K-$250K
- 5. $50K-$100K
- 4. $25K-$50K
- 3. $10K-$25K
- 2. $5K-$10K
- 1. <$5K

Y-axis: TAPS Bin (0% to 100%)
X-axis: Income Insight Bin (<$25K, $25K-$50K, $50K-$75K, $75K-$150K, $150K-$300K, >$300K)

Income: $75-$150K
- 40% spend <%5K
- 80% spend <$25K
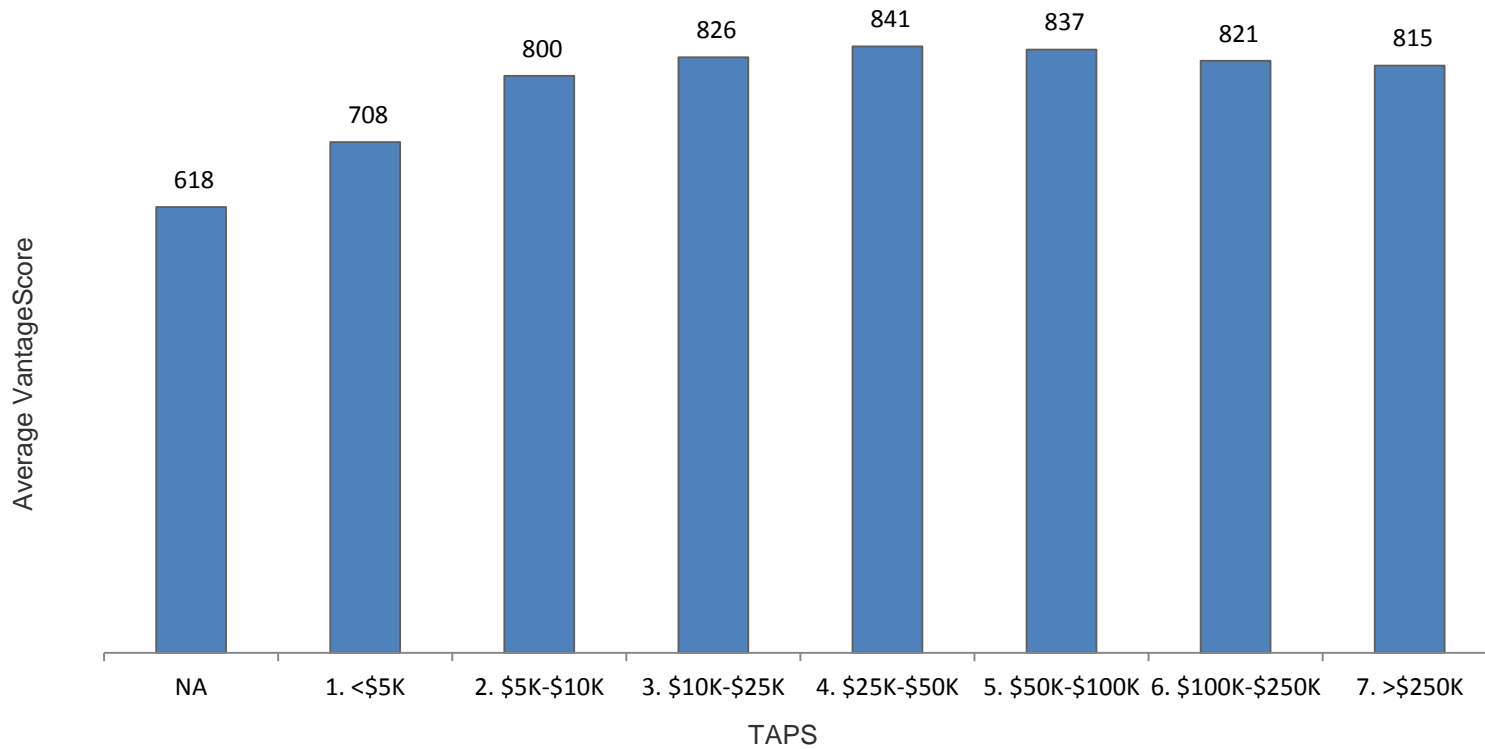
Income: $150-$300K
- 20% spend <%5K
- 55% spend <$25K

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

Sources: Experian analysis

Experian TAPS^{SM} validation
Will allow targeting across multiple risk bands

VantageScore is not correlated with spend. TAPS is a necessary complement to a risk score.
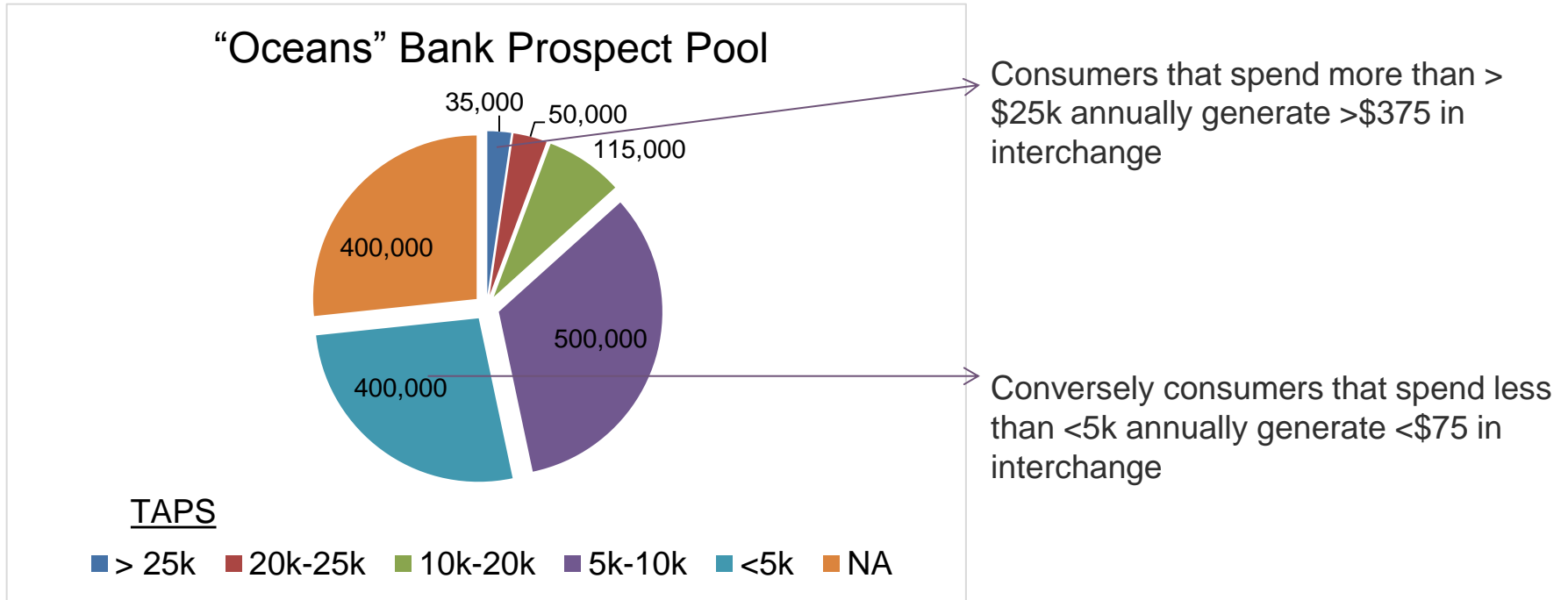
Sources: Experian analysis

Experian TAPS℠
It's all about "Spend"….

- Experian TAPS℠ 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.
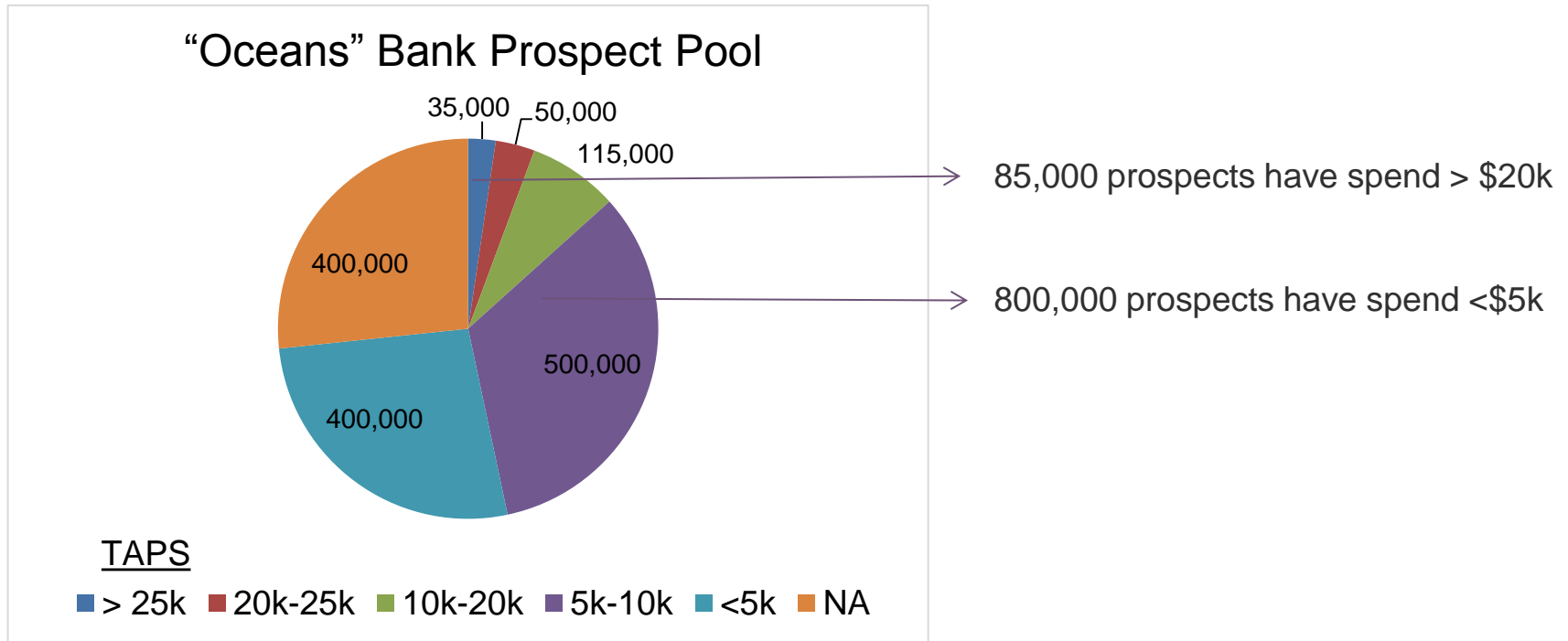
"Oceans" Bank Prospect Pool

Consumers that spend more than > $25k annually generate >$375 in interchange

Conversely consumers that spend less than <5k annually generate <$75 in interchange

35,000
50,000
115,000
400,000
500,000
400,000

TAPS

■ > 25k ■ 20k-25k ■ 10k-20k ■ 5k-10k ■ <5k ■ NA

Experian TAPS℠
Prospecting: Capture spend on a prescreen universe

- Experian TAPS℠ 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.
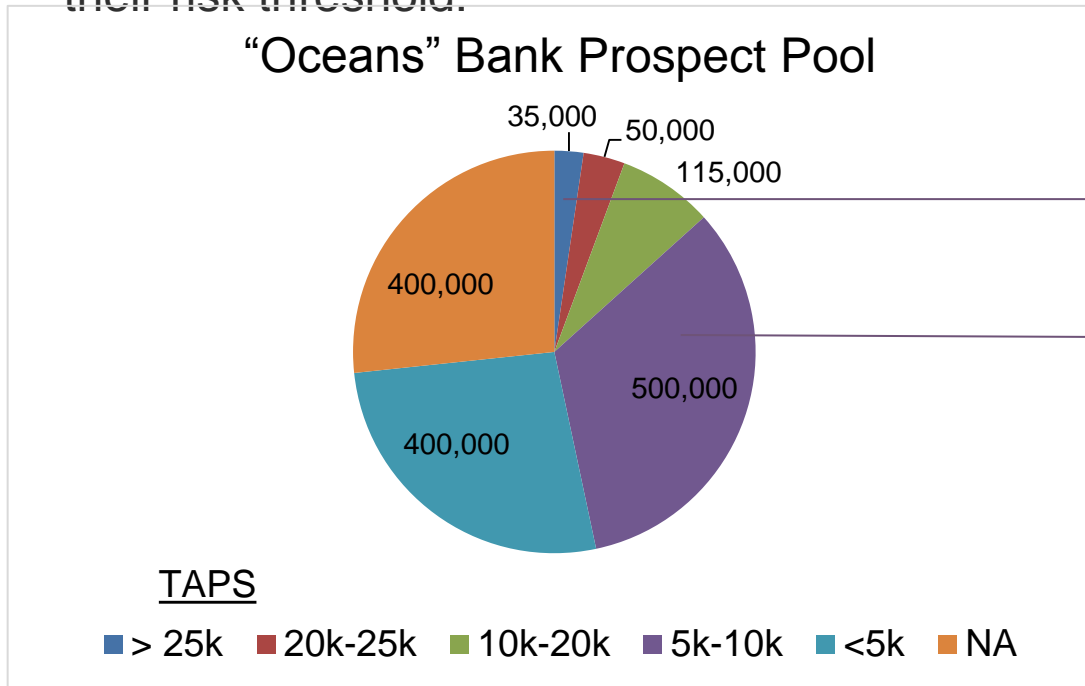

"Oceans" Bank Prospect Pool

- 35,000
- 50,000
- 115,000
- 400,000
- 500,000
- 400,000

85,000 prospects have spend > $20k

800,000 prospects have spend <$5k

TAPS
- ■ > 25k
- ■ 20k-25k
- ■ 10k-20k
- ■ 5k-10k
- ■ <5k
- ■ NA

Experian TAPS℠
Prospecting: Issuers can offer the right product

- Experian TAPS℠ 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.

"Oceans" Bank Prospect Pool

35,000
50,000
115,000
400,000
500,000
400,000

TAPS

■ > 25k ■ 20k-25k ■ 10k-20k ■ 5k-10k ■ <5k ■ NA

Option 1: Offer standard rewards with no cap
Option 2: Add a cap but offer higher rewards (reduce "reward" abuse)
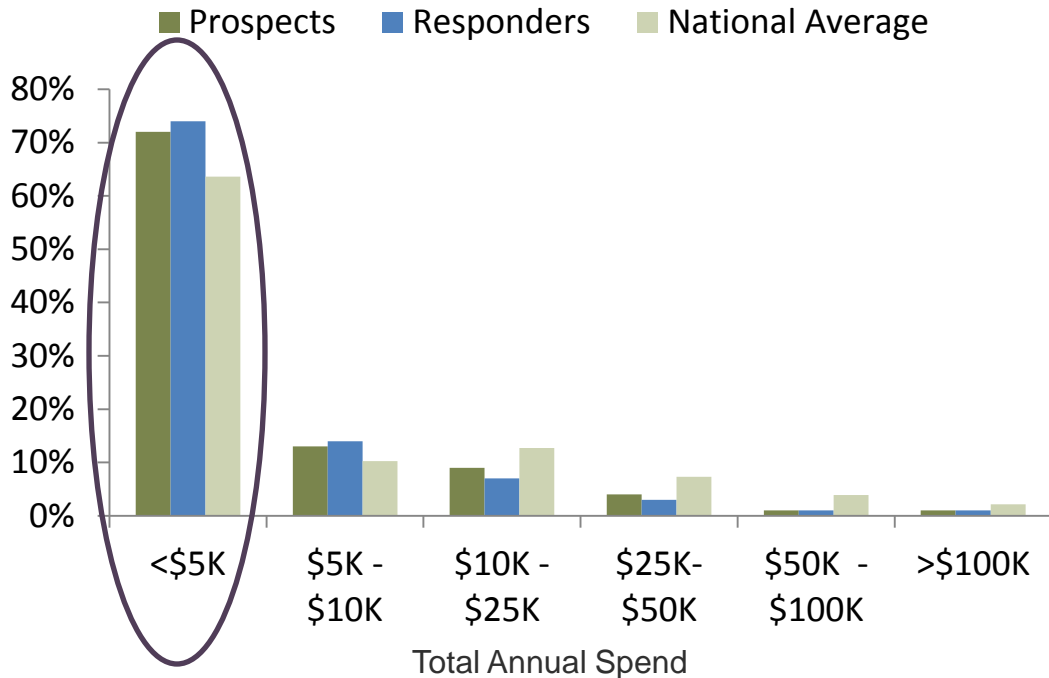
Option 1: No cap rewards
Option 2: Brand only

ABC Bank Acquisition Pool

■ Prospects ■ Responders ■ National Average

Total Annual Spend

- 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.**
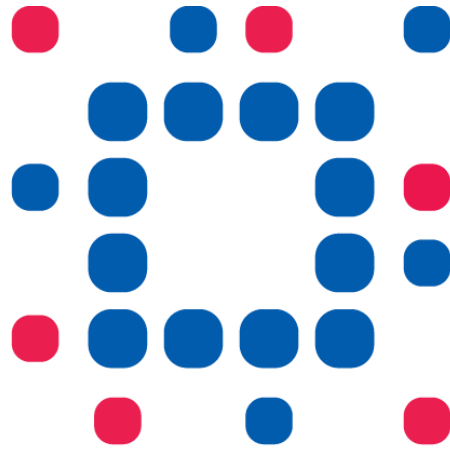
Experian TAPS℠ Next steps
Getting started

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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