# Automating Your Credit Decisions

## Making efficient credit decisions while modernizing your organization

## Executive Summary

Businesses of all sizes are now turning to automated decisioning to meet increasing customer experience expectations while reducing risk. Moving to automated decisioning isn't a single transition, but a series of steps to move from a manual to a fully automated experience. By using Experian's BusinessIQ℠ 2.0, businesses can start simple and take the next step to a seamless, integrated experience that both reduces risk and increases efficiency.

## Are data silos and a lack of integration holding you back?

As businesses are using different types of analytics to assess risk, they're looking for more robust decisioning software with more integration capabilities. The challenge is how businesses can use the data they collect and analyze it to help improve their automated workflows. Additionally, businesses need actionable insights to help them better understand customers and deliver a personalized experience.

## Evolution of decisioning — from enterprises to all businesses

In the past, only large enterprises used automatic decisioning. Because of the volume of credit applications they processed, it made financial sense to invest in technology that gave them precise, accurate results. But now businesses of all sizes are turning to automated decisioning processes to reduce risk and increase efficiency, and companies already using the technology are expanding how they use it to increase ROI and benefits. Even large enterprises have limited resources and must be conscious of the size of their credit, risk and procurement departments.

Employees at small-and medium-sized businesses (SMBs) often wear many hats and are asked to manage a full spectrum of credit activities, like evaluating risk on prospective customers, establishing and enforcing credit lines, and handling billing disputes and collections. SMBs want to create standardized policies to reduce risk and eliminate time-consuming manual processes. By increasing efficiency, they can focus on creating a personalized experience for customers.

But the challenge of how to compete with larger competitors while delivering a superior customer experience at a lower cost remains. Meanwhile, large enterprises have their own challenges of managing risk while adhering to compliance standards and providing a frictionless customer experience.

Enterprises must maintain a balance between providing the best service possible, maintaining risk levels and adhering to compliance standards. Large enterprises that weren't using automated decisioning are now turning to automation, advanced analytics and technology to manage application volume more effectively and improve the customer experience. With improved technology, customers are increasingly expecting enterprises to offer them seamless, simple transactions that provide immediate results. Because SMBs can now use technology to create a better user experience than previously possible, enterprises currently using automation need to look beyond simply increasing efficiency to delivering a better experience as well.

As technology and customer expectations change, automation technology ensures that all parts of the credit decisioning process are all working together, such as customers entering application information, the model used to determine risk, determining a credit decision and returning the decision to the customer. Otherwise, businesses can inadvertently increase their risk and create an inefficient process. By creating a seamless, quick and easy-to-use process, businesses can improve the customer experience and improve customer loyalty.

## Turnkey decisioning solutions help you reach your goals

Many businesses use their own CRM or ERP systems, such as Oracle, SAP or Salesforce, to manage customer acquisition. Because the data is maintained in their own system, which manages and promotes automation, the best solution is bringing data into that system to use more effectively and efficiently across their business. Instead of creating custom solutions for customer, Experian's turnkey solutions let them see the benefits of automated decisioning at an affordable cost, making the technology accessible to businesses of all sizes.

## Automation of decisioning

Most companies start with basic automated decisioning and then add additional levels that provide even more benefits. Because using automated decisioning requires a change in mindset and workflow, we recommend that clients start on a limited scale and then expand usage as the company's employees and customers master the process.

Think about your company's current familiarity and use of automated decisioning. Companies typically operate at one of three levels of familiarity and move up the ladder as they see reduced risks, increased productivity and more satisfied customers. Because of Experian's many years of working with companies in a variety of industries at all stages of their automation journey, we can help you address your current challenges and move to the next level of automated decisioning. Review the following levels of familiarity to determine where your company currently is.


## Beginner — Judgmental scorecards with basic automation

Many companies begin their journey into automated decisioning by automating their own scoring systems based on judgments. These systems have the basic components of an automated decisioning process — data attributes, weightings and point systems — but the models are based on the company's own experience. While the credit manager often consults credit reports, the model and resulting risk assessment ultimately reflect the attributes most important to the credit officer, not the factors that are most statistically important for determining risk. This type of automation is a good entry point, but companies don't often see the full benefits and may not realize the possibilities that the technology can provide.

Benefits

- Small productivity gains.
- Lower risk in some instances.

Limitations

- May not leverage new data attributes.
- Time consuming to create and maintain.
- Risk reduction is unreliable.
- Process isn't automated on the customer end.

## Intermediate — Predicting risk with statistically based automated decisioning

After seeing efficiency benefits from using scorecards, many businesses begin working with Experian to start using an automated decisioning solution, such as BusinessIQ 2.0. Experian® derives attributes from customer and credit bureau data to create predictive risk and behavior variables. The system then does the work for you — collecting and organizing thousands of sources to feed attributes into Experian's decisioning engine to generate scores. The machine learning technology provides predictive insights into the risk and likelihood of defaulting in the future. Based on those scores, credit managers can then decide on the appropriate customer scores and offers.

Benefits

- Significant productivity gains over the basic level.
- Lower risk.
- More accurate predictions about the risk of bankruptcy, fraud and default.
- Backend gain gives greater return on investment.
- Provides experience with automated decisioning.
- Accessed through existing credit bureau connection.
- Can be integrated with other systems.

Limitations

- Customer waits for decisioning process.
- Higher risk than competitors using machine learning.
- Not realizing full efficiency gains.

## Advanced — Customized, fully automated and seamless decisioning process

After seeing success with automatic decisioning models, clients often ask Experian to build a custom model, typically using regression models or machine learning models. Experian can customize its BusinessIQ 2.0 engine for any business to create a custom score that predicts risk by analyzing the negatives in the company's profile combined with Experian's data. Experian's clients have the benefits of a custom solution with the simplicity of a turnkey solution.

Through machine learning and standard regression models, the systems become smarter and more accurate based on the company's specific needs as they process more applications. Because the solution is statistically driven to predict risk, the accuracy is much higher, and the overall process is more efficient. At this level, Experian can help customize the delivery and deployment, including integrating with existing systems and deploying in a standard online environment, and can help businesses create a batch process system for even more efficiency.

Through Experian's developer portal, the API Hub, we help businesses integrate data points and services. Companies can easily build an integration that allows you to quickly partner with new data sources. Clients can select data types that are most meaningful and useful to them, such as niche data related to a specific industry, and bring them into their system.

For example, companies can integrate data from HazardHub, a data source with information about potential risk issues for businesses. You get comprehensive property risk data to help your business better assess risk for pricing and pricing models.

Benefits

- Better qualification, approval and takeup rates.
- Less bad debt and fewer fraud losses.
- Lower manual review costs.
- Greater regulatory compliance.
- Ability to integrate with other systems.

Limitations

- Cost.
- Time to manage.
- Client's policies.
- Governance.
- Compliance.

## Helping businesses improve efficiency and reduce risk

Creating custom models from scratch is no longer the only option. Businesses can use BusinessIQ 2.0 in the manner that best supports their current needs and positioning. Experian starts by reviewing the company's portfolio data to understand their performance and then recommends the best solution to meet the client's needs and goals. No matter where your company is in its journey, Experian can meet you where you are and guide you to the next level so you can increase productivity and reduce risk. Through BusinessIQ 2.0, you can begin the automated decisioning process and drive value to your customers more quickly so you can improve your company's everyday business processes and risk management.

The credit department — often viewed as the sales prevention department — navigates the fine line between company growth and minimizing exposure to risk. When salespeople have a potential sale, they have to wonder whether the credit department will approve the customer's credit application, and this hurdle can diminish a company's sales capability. At the same time, if the company takes high-risk customers and loses money, revenue is ultimately lost. Each company must determine its own tolerance for risk compared to its appetite for revenue, and there's no right answer across the board. It's often a balance, because higher revenue often comes with higher risk.

Through Experian's work with businesses transitioning to automated credit decisioning, we continually look for ways to improve communication between sales and credit departments using tools and technology. Ideally, the credit process and decision evolves from a sales prevention to a sales enablement tool. The goal is to move the credit assessment away from the end of the sales funnel and customer life cycle so the sales department can use the information from the risk analysis to guide their process and recommendations.

Using the next level of mobile-friendly credit automation technology, businesses can automate the front end of the process for reduced sales cycles. Through an instant point of sales gratification, the sales department can have credit decisioning information in the field during initial meetings with their customers. Because mobile technology is in play to integrate the sales and credit process, it streamlines the user experience. Customers are more likely to do business with companies that deploy these efficient onboarding technologies instead of completing a credit application at the end of the sales process. For example, if a sales representative is on the road meeting with a potential client, they can use a mobile device to run a pre-approval through automated decisioning that conforms to the credit policy of the business. If the customer is high risk, and the representative knows that the company has a low tolerance for risk, they can manage expectations and steer the customer to a product that will be more inline with the amount of credit likely to be approved. The sales representative may offer a low-risk customer a line of credit early in the process and remove the credit application process as a barrier to sales, keeping the customer from potentially walking away. Sales representatives can also upsell and suggest additional products to these customers to increase revenue, knowing that the customer's credit application will be approved.

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Companies are also simplifying the user experience and reducing risk by integrating automated decisioning with their CRM or ERP system. By selecting the master data in the CRM, companies can expedite the preapproval process using existing data to determine if a customer is a high or low credit risk. With these prescreened existing clients, they can use the credit information for recommendations and increased sales.

## Conclusion

Decisioning automation is now a necessary part of doing business. As more companies move in this direction, it will quickly become a customer requirement. While the change may feel initially overwhelming, adding decisioning automation to your credit approval process is straightforward and easy.

Automated credit decisioning technology is a tool that can provide many benefits on its own. But companies that combine it with other systems and tools can create a streamlined customer experience that can carry over to all aspects of a business — resulting in increased customer satisfaction, higher sales and more customer retention. And companies that use automated decisioning as a communication tool rather than simply a credit tool can create a synergy between their sales and credit departments, which can change the company dynamics and dramatically increase revenue. By working with Experian to improve processes and collaboration, your company can take an automated decisioning product from a tool that gives a credit decision to a technology that transforms all aspects of the sales and customer life cycle while increasing revenue.

## About Experian's Business Information Services

Experian's Business Information Services is a leader in providing data and predictive insights to organizations, helping them mitigate risk and improve profitability. The company's business database provides comprehensive, third-party-verified information on 99.9 percent of all U.S. companies, as well as millions of companies worldwide. We provide market leading tools that assist clients of all sizes in making real-time decisions, processing new applications, managing customer relationships and collecting on delinquent accounts.

For a free consultation, contact your local Experian sales representative, call 1 800 520 1221 or visit www.experian.com/biq.

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04/19 • 1184-BIS