35TH ANNIVERSARY

VISION 2016
TAKE CONTROL
A ROADMAP FOR GROWTH

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Experian

Identifying lifetime value and profitability through scoring and household linkage

Introducing:

- **Holly Deason**
  Experian

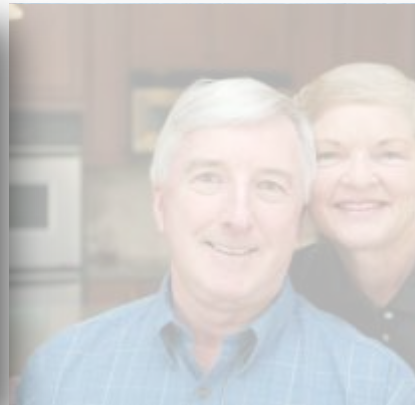#vision2016

Overall objectives

- How we are defining Millennial and why are they so important?

- Credit Profile characteristics
  - ▶ Traditional views of the young consumer over time

- Household segmentation and life stages

- Digging deeper within each life stage
  - ▶ Use cases in driving profitable growth within your Millennial customer segments

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Generational review
Defining the groups

Gen Y / Millennials	Gen X / Busters	Baby Boomers	Greatest / Silent
Age: 19-34	Age: 35-49	Age: 60-68	Age: 69-87

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The takeover of the Millennials

Chart showing population in Millions from 2014 to 2050 for four generations:
- Millennials (blue): starts ~75 million in 2014, rises to ~81 million, then declines slightly to ~79 million by 2050
- Gen X (green): starts ~66 million in 2014, stays roughly flat then declines to ~50 million by 2050
- Baby Boomer (yellow): starts ~75 million in 2014, declines steadily to ~18 million by 2050
- Silent (purple): starts ~29 million in 2014, declines to near 0 by 2050

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Analysis overview

Sampling methodology and overview

Data sourcing
ConsumerView℠ and File One℠

ConsumerView℠

- **299 million** consumers
- **124 million** households
- **1,000** demographic attributes
- **70 million** households that self-report consumer marketing information
- **3.2 million** births annually
- **16 million** moves annually
- **20 million** new homeowners
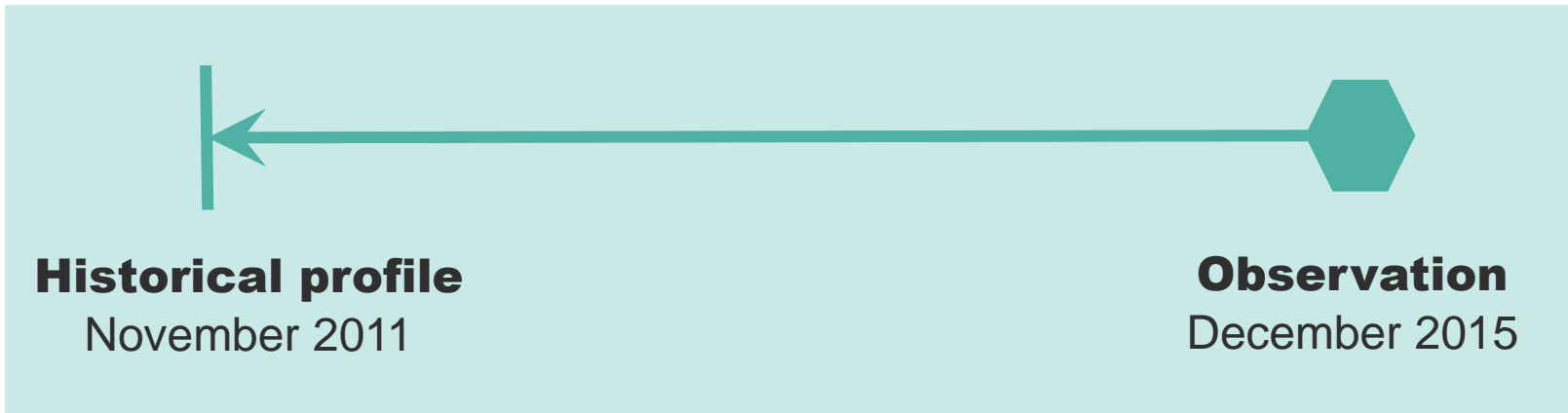- **3,200** public and proprietary sources

File One℠

- 220 million consumers
- 4.1 billion trades

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Analytical methods
Design and sampling

Historical profile
November 2011

Observation
December 2015

- Population selected from credit file 2015 year end – 5% sample of consumers age 19-34, no exclusions

- Pinned to ConsumerView^{SM} file

  - ▶ Behaviors, segments and characteristics as of 2015 year-end

  - ▶ Historical view from November 2011

VantageScore®
Overview and usage

VantageScore® credit tiers

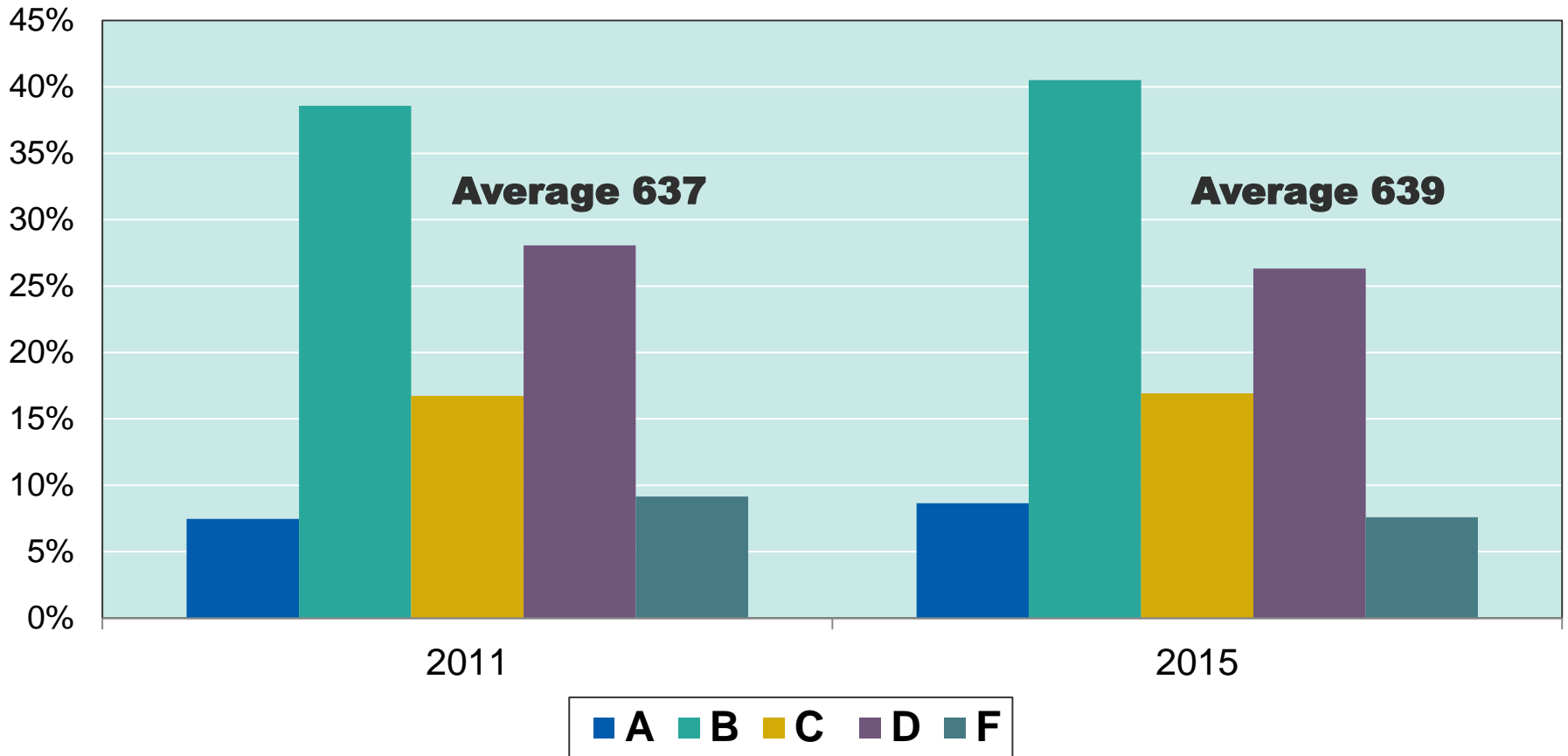|	
A = Super-prime	**781-850**
B = Prime	**661-780**
C = Near Prime	**601-660**
D = Sub-prime	**500-600**
F = Deep Sub-prime	**300-499**

- Predicts risk of borrower
  - Likelihood of future serious delinquencies (90 days later or greater)
  - Any type of account
- 24-month performance window
- Score range of 300-850
  - Higher scores represent a lower likelihood of risk

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Analysis set
Sample set – VantageScore® migration

Bar chart comparing VantageScore migration for 2011 (Average 637) and 2015 (Average 639), across categories A, B, C, D, F.

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Analysis set
Sample set – Trade profile migration

	2011 →	**2015**
Trades	2.6	5.2
Revolving accounts	1.3	2.2
Personal loans	.65	1.5
Mortgage	1 in 10	2 in 10
Auto	2 in 10	4 in 10
Student loans	4 in 10	9 in 10
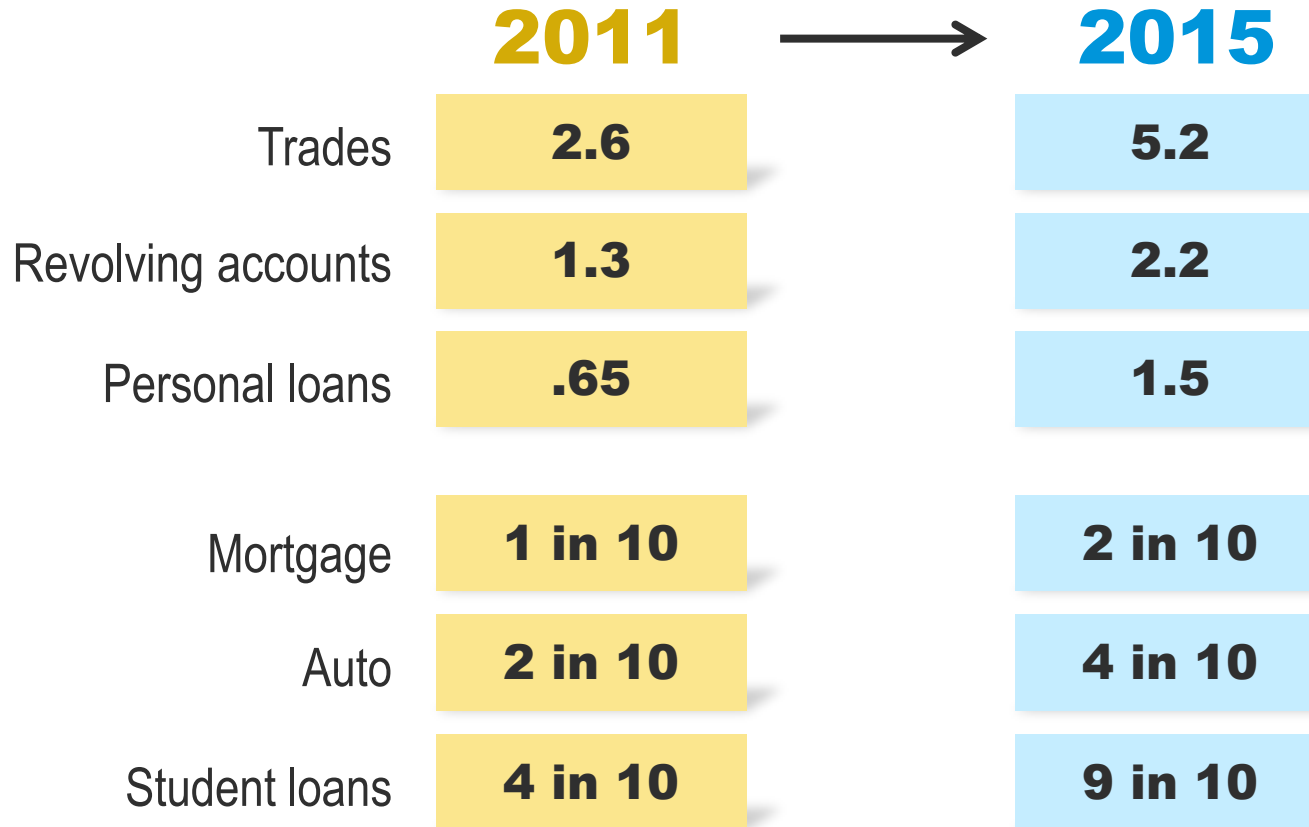
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First trade distribution by product type

Bankcard	Student Loan	Retail	Auto	Installment	Mortgage
35.3%	21.9%	12.4%	8.9%	4.6%	0.5%
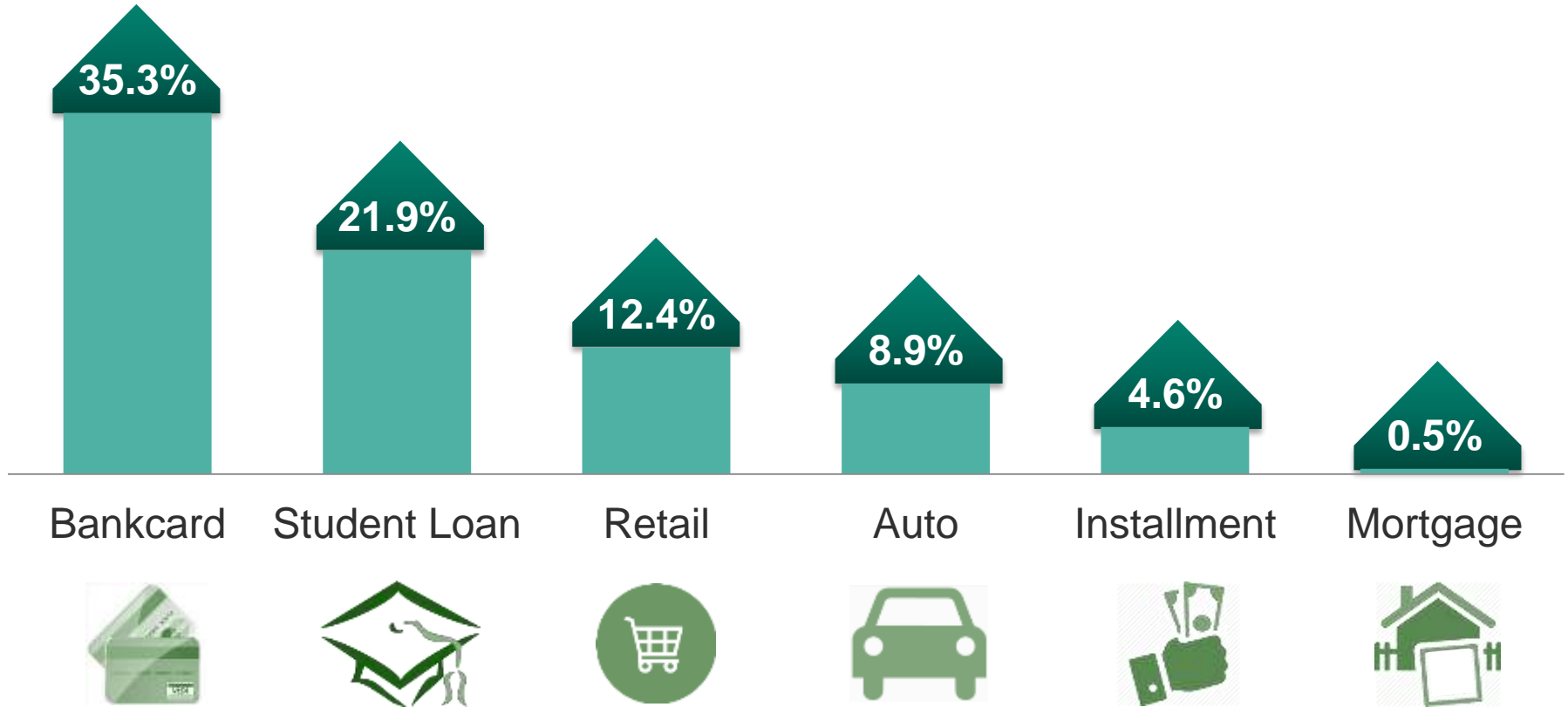
Loyalty to originating company
Second trade type – same lender

	Credit card	Student loan	Retail	Auto	Personal loan	Mortgage
Green row	12.4%	47.7%	12.7%	11.6%	29.2%	12.7%
Credit card	25%	1%	5%	12%	21%	12%
Student loan	2%	68%	0%	0%	0%	0%
Retail	3%	0%	35%	0%	2%	1%
Auto	11%	0%	0%	38%	23%	8%
Personal loan	22%	1%	1%	25%	74%	15%
Mortgage	12%	1%	0%	9%	22%	30%

Millennial Segmentation

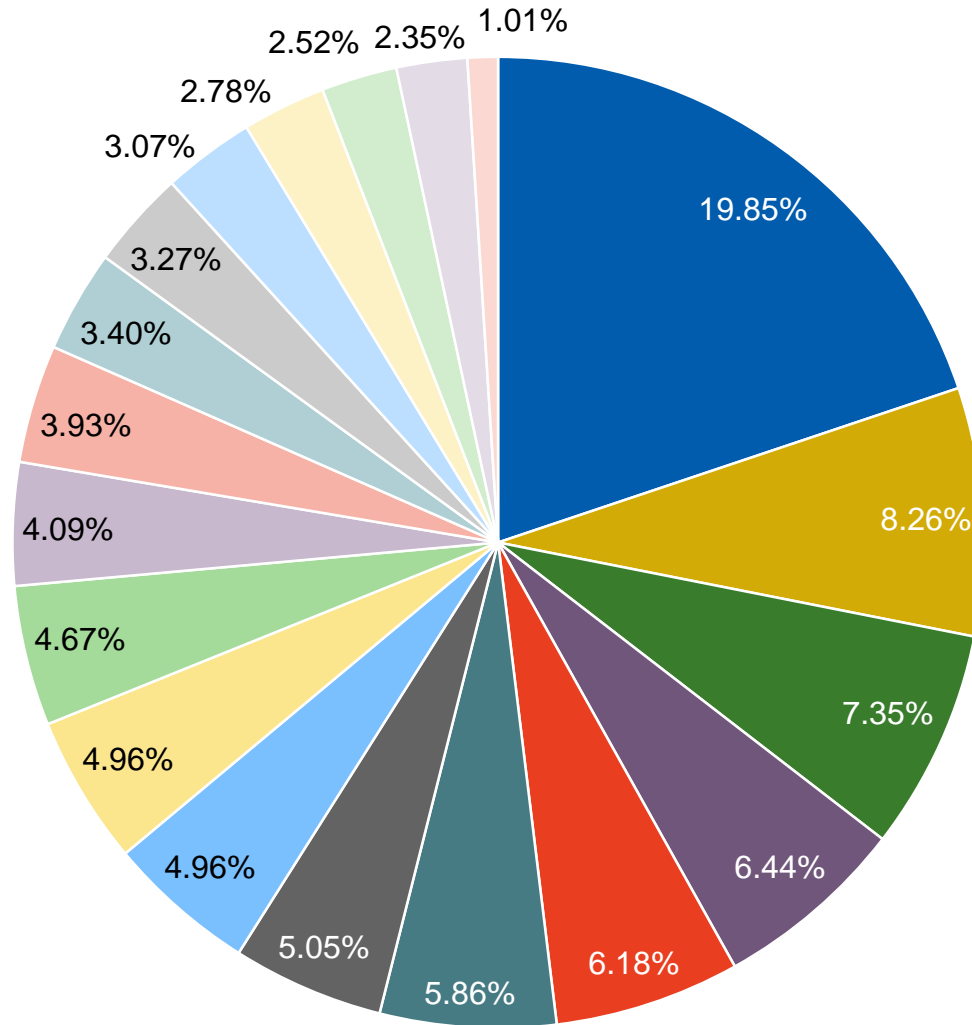Using the Mosaic® household classifications

Mosaic® USA

- Mosaic® USA is a household-based consumer lifestyle segmentation system that classifies all U.S. households into **19 overarching groups**

  - ► Allows marketers to understand who your customers are and who they're not

  - ► Enables you to promote products to compliment consumers behaviours, needs and lifestyles

Mosaic® segmentation
2015 sample distribution

Pie chart segments:
- Singles and Starters — 19.85%
- Promising Families — 8.26%
- Family Union — 7.35%
- Booming with Confidence — 6.44%
- Thriving Boomers — 6.18%
- Cultural Connections — 5.86%
- Flourishing Families — 5.05%
- Power Elite — 4.96%
- Families in Motion — 4.96%
- Suburban Style — 4.67%
- Significant Singles — 4.09%
- Pastoral Pride — 3.93%
- Young City Solos — 3.40%
- Aspirational Fusion — 3.27%
- Middle-class Melting Pot — 3.07%
- Blue Sky Boomers — 2.78%
- Autumn Years — 2.52%
- Economic Challenges — 2.35%
- Golden Year Guardians — 1.01%

Mosaic® consolidation
Millennial life stage

Parents' household — 41.9%

Single — 28.9%

Young family — 22.9%

6.3%

Technology adoption

Technology is my life

Technology has a limited impact on my life

Wizard

Novice

Journeyman

Apprentice

Technology is an important part of my life

Technology is changing my life
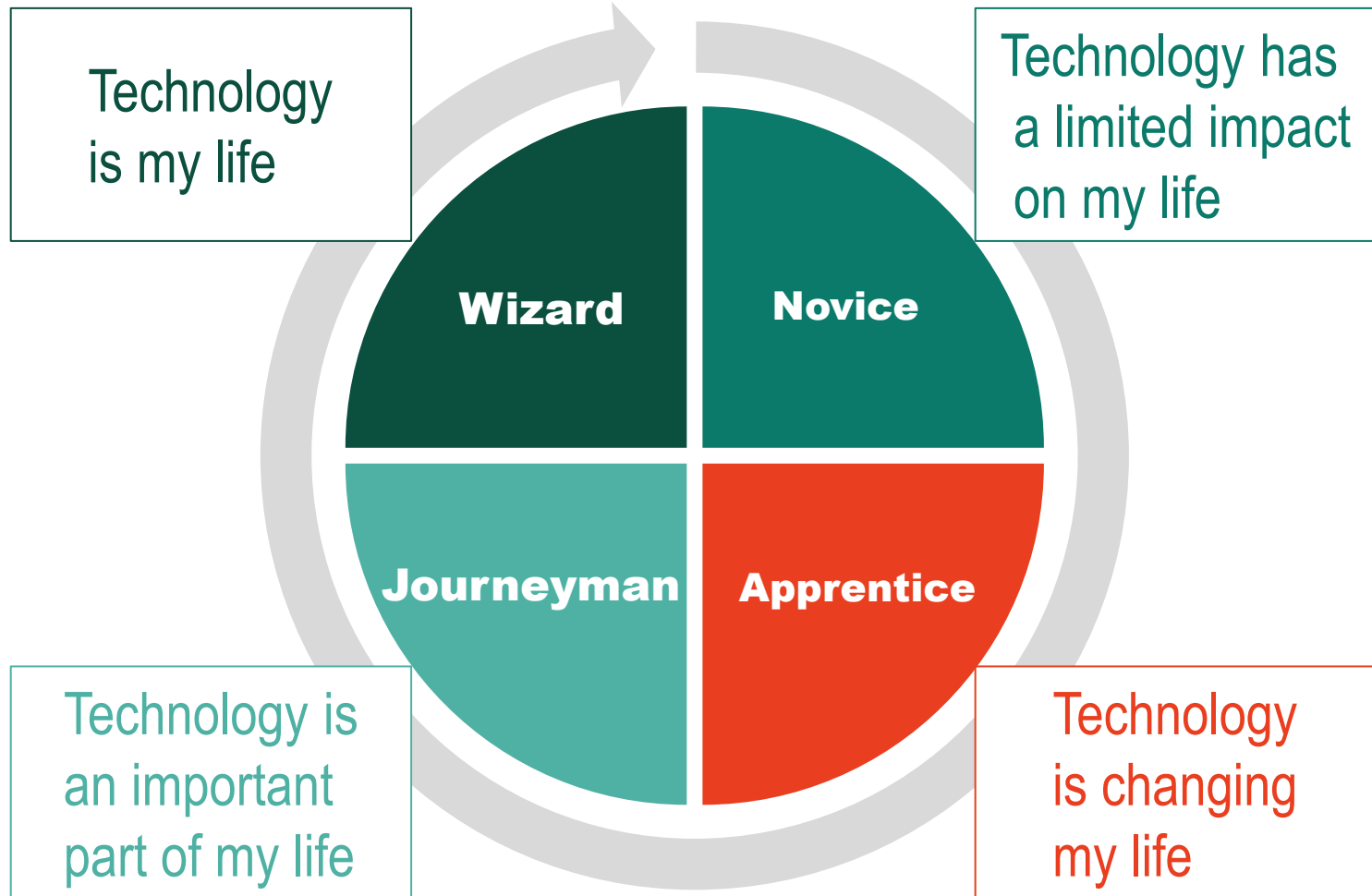
Technology adoption
Of the Millennial at each life stage

- Singles
- Young family
- Parent's household

Trade profile growth
Of the Millennial at each life stage

	Parents' household		Single		Young family
Trades	4.8	→	5.4	→	5.8
Revolving accounts	2.1		2.1		2.6
Personal loans	1.3		1.6		1.5
Mortgage	1 in 10		1 in 10		3 in 10
Auto	4 in 10		4 in 10		5 in 10
Student loans	8 in 10		1.1		9 in 10

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Profitability and revenue opportunity
Use case in the card space

Metrics		Parents' Household	Single	Family
Risk	Average VantageScore®	696	684	700
Risk	Delinquency rate (60+ DPD)	2.45%	3.23%	2.29%
Use	Average number open card trades	3.76	3.92	4.19
Use	Average credit line	$16,741	$15,965	$19,652
Use	Average revolving balance	$2,273	$2,358	$2,886
Use	Utilization	14%	15%	15%
Use	Annual spend	$13,356	$11,368	$13,262
Use	Age of trade (years)	4.40	4.02	4.65
Revenue	Effective yield	12.00%	12.49%	11.63%
Revenue	Annual interest	$365	$389	$445
Revenue	Estimated interchange	$223	$190	$221

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In-depth profiling

Millennial life stages

Experian®

Single
Fast facts

Public transportation to work

TWITTER

Interested in receiving ads on cell phone

Online streaming TV

Rental housing

Often click banner ads

Computers

Exercise twice per week

See what's on using Internet

Expect to spend lot more on essentials next year

25-30 years of age

Household size of 1

Telemarketing and direct mail receptive

Game show / contest shows

Estimated discretionary spend <$8,000

Metro cities   **Renter**

Highest average risk

Lived here one year or less

Democrat   *e-mail*   A penny saved, a penny earned

Bars / nightclubs / dancing   *Estimated income <$25,000*

Magazines   *Technical occupation*   **Used vehicle purchaser**

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Profitability and revenue opportunity
Single – Revolving balance bins breakouts

Metrics		Single		<$1,000 (57%)	$1,000+ (43%)
Risk	Average VantageScore®	684		691	673
	Delinquency rate (60+ DPD)	3.23%		4.48%	2.20%
Use	Average number open card trades	3.92		2.98	4.80
	Average credit line	$15,965		$11,576	$21,762
	Average revolving balance	$2,358	➡	$269	$5,117
	Utilization	15%		2%	24%
	Annual spend	$11,368		$7,576	$16,376
	Age of trade (years)	4.02		3.70	4.28
Revenue	Effective yield	12.49%		9.69%	13.90%
	Annual interest	$389	➡	$69	$811
	Estimated interchange	$190		$127	$273

Young family
Fast facts

Streaming TV

Home owner   Prepare tax online

Tailgating

Household income $100-200k

Have home equity loan

Republican

High consumer confidence   Own IRA

E-tailer communication preferred

Lived here 4-5 years

Presence of child 0-3 years

Own a burglar/alarm system for home

31-35 years of age

Own 529 savings plan

Banner / pop-up ads on tablet very useful

Alternative rock music

Bilingual

Expect to spend a lot more on essentials next year

Lowest average risk

Satellite radio

Married with kids   *iPhone*   Presence of child 4-6 years

Bicycling   *Friends ask advice on financial matters*

Rural non-city style   *3+ TVs in household*   Electronic education toys

2 vehicle households

Profitability and revenue opportunity
Young family – revolving balance bins breakouts

Metrics		Young Family		<$1,000 (54%)	$1,000+ (46%)
Risk	Average VantageScore®	700		711	687
	Delinquency rate (60+ DPD)	2.29%		3.22%	1.62%
Use	Average number open card trades	4.19		3.12	5.16
	Average credit line	$19,652		$13,814	$26,492
	Average revolving balance	$2,886	➡	$261	$5,962
	Utilization	15%		2%	23%
	Annual spend	$13,262		$8,506	$18,836
	Age of trade (years)	4.65		4.37	4.84
Revenue	Effective yield	11.63%		8.63%	12.97%
	Annual interest	$445	➡	$67	$889
	Estimated interchange	$221		$142	$315

Parents' household
Fast facts

HH online discount affinity

Household **home owner**

Fishing in HH

Household income >$100,000

Buy American

Middle of the road politically (HH)

Household travelers

Lived here 10+ years

Presence of child 16+ years

Prepaid mobile plan HH

18-25 years of age

Shop at home electronics stores

Blue collar, farm & professional HH

Household discretionary spend >$11,000

Household lower average risk

Brick & mortar shoppers

Satellite radio

3+ TVs in Household; at least 1 plasma

Suburban household

Mobile display communication presence

Multi vehicle households

Head of household 36+

Profitability and revenue opportunity
Parents' household – annual spend bins breakout
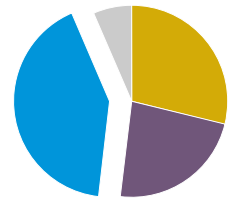
Metrics		Parents' Houshold		<$2,000 (28%)	$2,000-$20,000 (51%)	$20,000+ (17%)
Risk	Average VantageScore®	696		675	700	736
	Delinquency rate (60+ DPD)	2.45%		5.83%	1.88%	0.61%
Use	Average number open card trades	3.76		2.51	4.27	4.92
	Average credit line	$16,741		$6,004	$15,741	$41,567
	Average revolving balance	$2,273	➡	$890	$2,584	$4,217
	Utilization	14%		15%	16%	10%
	Annual spend	$13,356		$809	$7,571	$55,525
	Age of trade (years)	4.40		3.49	4.19	5.96
Revenue	Effective yield	12.00%		15.72%	13.18%	7.60%
	Annual interest	$365	➡	$139	$442	$603
	Estimated interchange	$223		$14	$126	$927

Talking to the Millennial

- The Millennial generation is the largest group of consumers and continues to grow

- The Mosaic® household classifications can be overlaid to provide depth and dimension to separate out different life stages within

- Targeted messaging and delivery methods can be deployed to maximize response

- Profitability metrics can be targeted to maximize return against offers

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" Millennials are often portrayed as apathetic, disinterested, tuned out and selfish. None of those adjectives describe the Millennials I've been privileged to meet and work with. "

— **Chelsea Clinton**
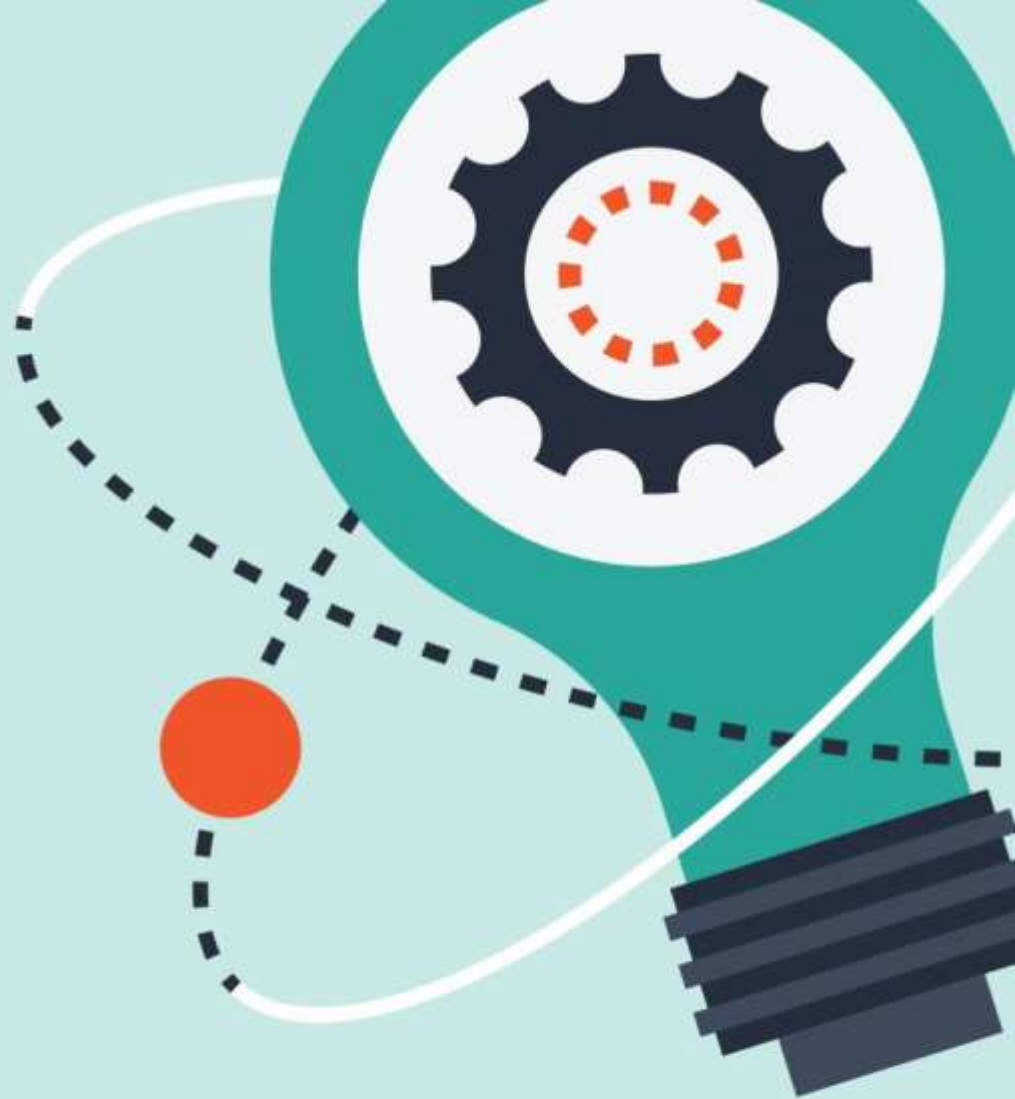
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Segmentation Portal
http://www.segmentationportal.com/us

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