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A ROADMAP FOR GROWTH

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Experian

Using commercial risk and trigger data to change our approach on marketing, risk and retention strategies

Introducing:

- **John Minalga**
  Swift Capital

- **Ann Skibicki**
  Experian

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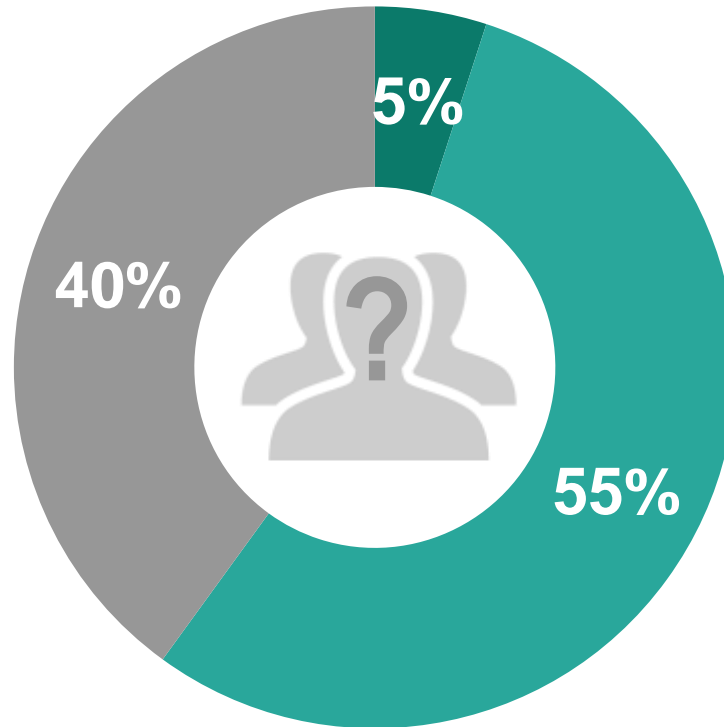A ROADMAP FOR GROWTH
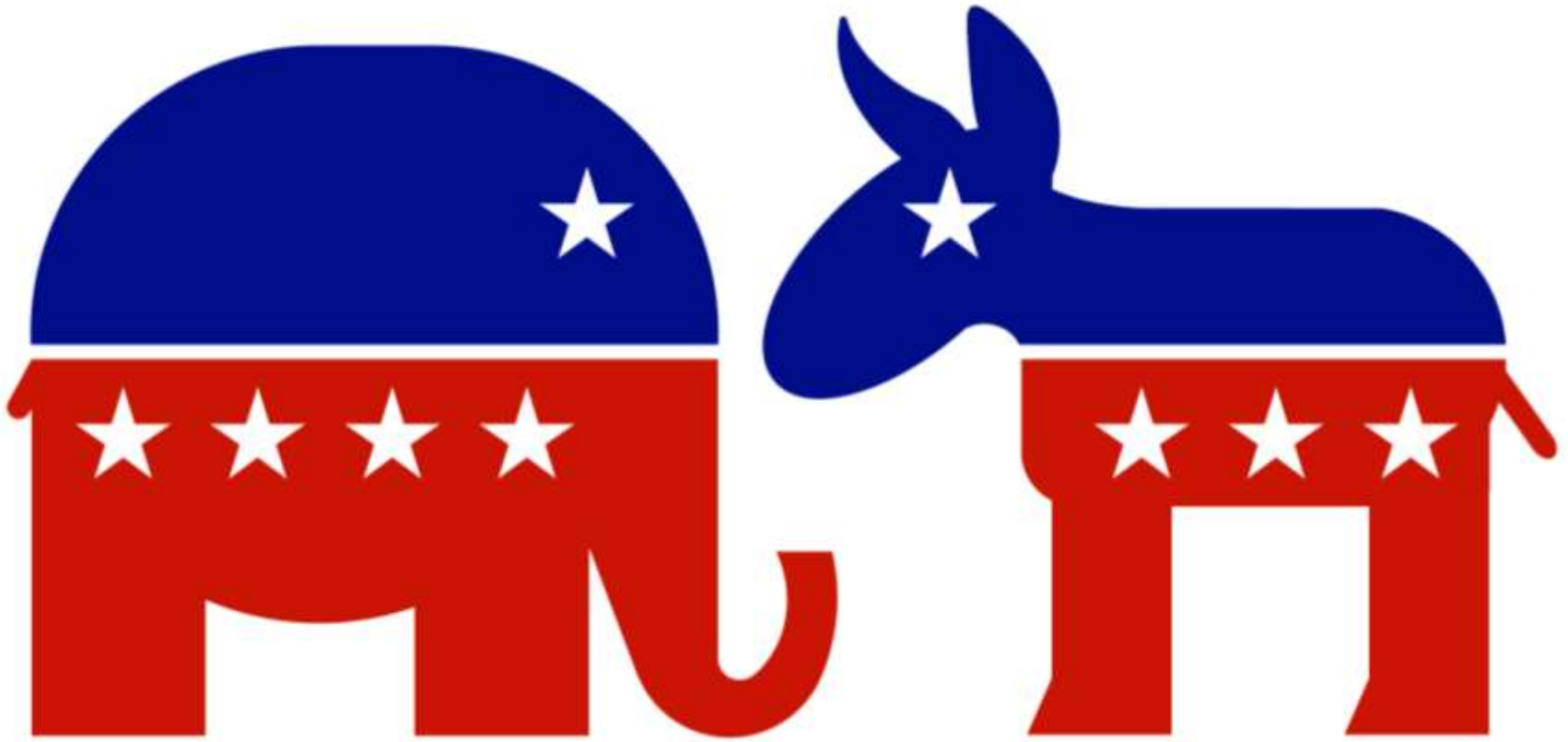
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Small businesses outlook on primaries

How well do you think the various presidential candidates understand small business?

■ Very ■ Somewhat ■ Not at all

5%

40%

55%

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Next 45 minutes

- Understanding the small business

- Marketing, managing and retaining

- Credit education and customer loyalty

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More than 1-in-4 small firms still cannot access adequate financing

Source: NSBA; 2015 Year End Economic Report

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Eight ways business owners are using their funding

1. **Supplies for new contracts or accounts**

2. **Taxes**

3. **Staying competitive**

4. **Flexible invoicing and payment schedules**

5. **Managing seasonal ups and downs**

6. **Adding employees**

7. **Replacing or upgrading equipment**

8. **Inventory for peak times of year**

Source: Swift Capital Customer Survey

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75% expressed confidence in the future of their own business

Source: NSBA; 2015 Year End Economic Report

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Marketing to small businesses

High quality marketing list source

- Business name
- Contact name
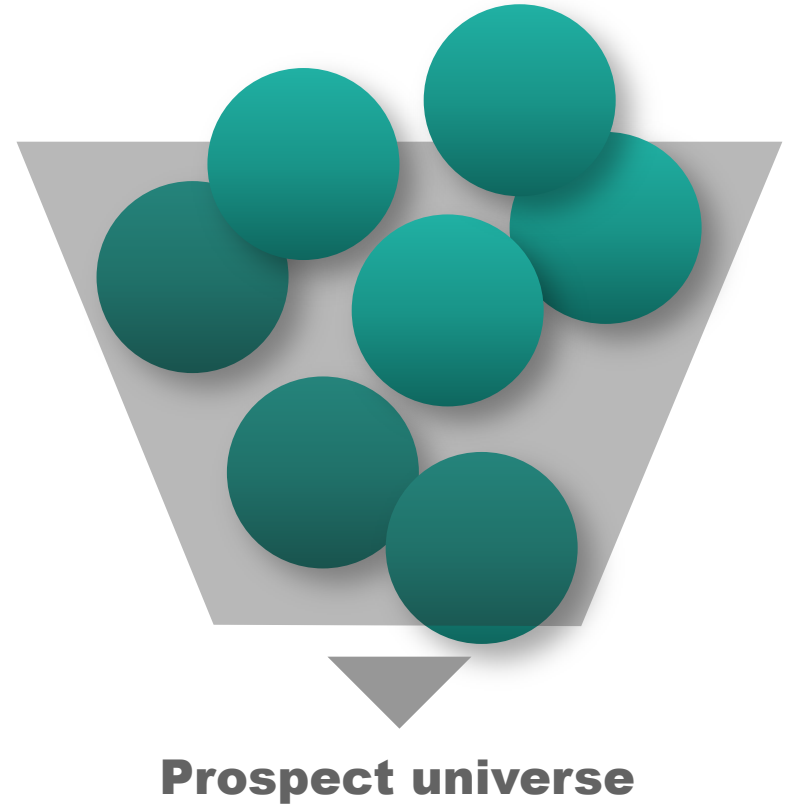- Professional title
- Address
- Phone
- Email
- UNIQUES!

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Prospect Segmentation

- Number of inquiries

- Account balance

- Tradeline count / tradeline balance

- Credit utilization

- SIC code

- State

- Scores

Prospect universe

Modeling desired behavior

In the Market Models^{SM} identify small businesses who are truly in the market to accept your offer, driving increased book rates and higher profitability.

Refine segmentation strategies and tailor offers to achieve higher open rates.

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Modeling desired behavior

Response models identify influential attributes of responders and non-responders and rank prospects based the likelihood to respond to an offer.

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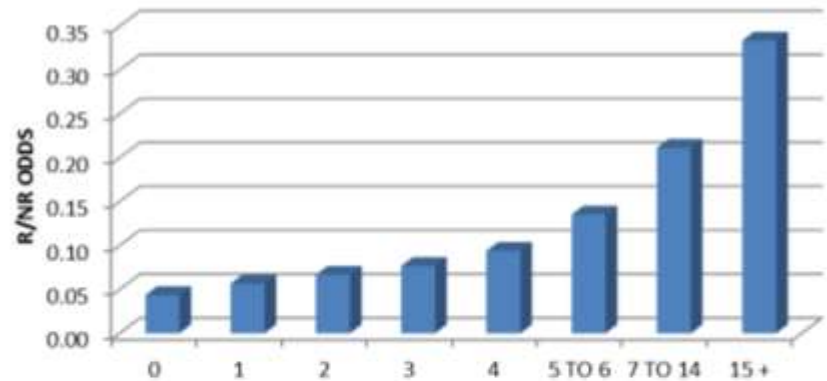A ROADMAP FOR GROWTH

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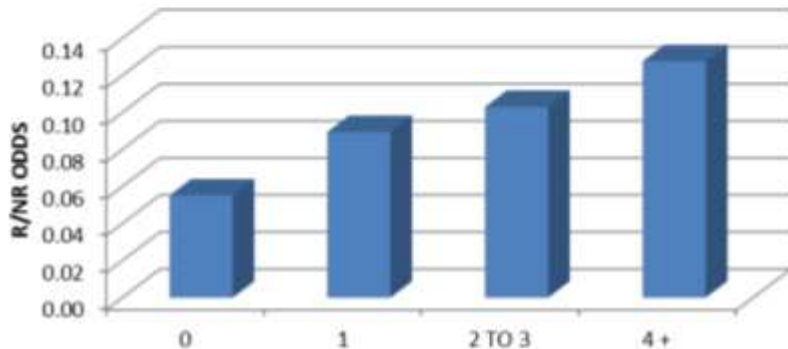# Top four most predictive data elements for response modeling

ATB012 - Total Bal across all AGED trades with trade worst status=Current
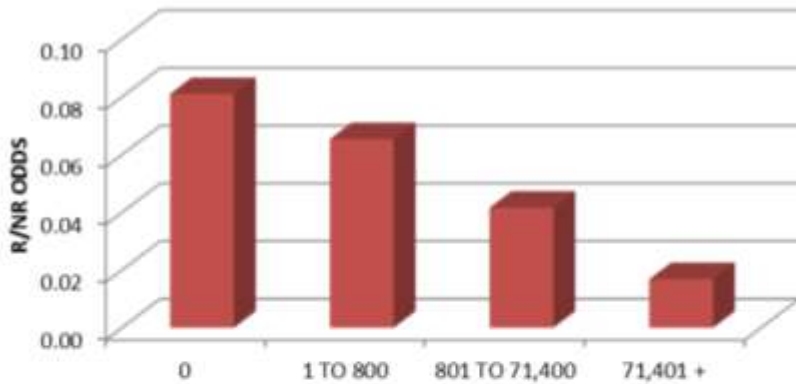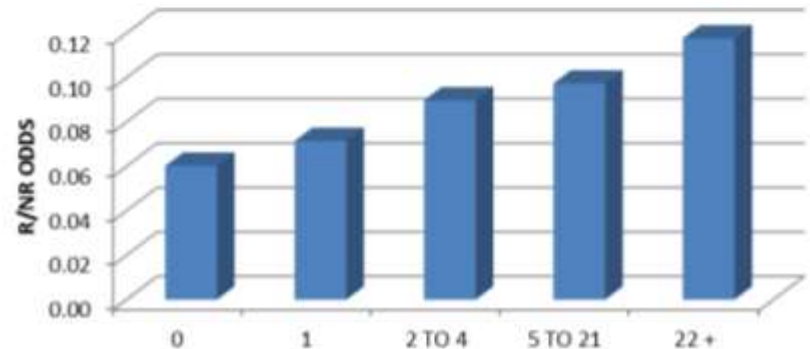
IGC001 - Total number of inquiries in the last nine full months.

LGC004 - Total number of legal filings. Includes bankruptcies, tax liens, and judgments.

RTO079 - Average quarterly change in DBT for regular trades over the five quarters prior to the profile date.

Modeling and triggers

- High growth success formula when combining predictive modeling techniques with proactive triggers

- Timeliness of trigger information

- Designed to feed any marketing channels:direct mail, phone, email

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Propensity modeling

Build historical database for future propensity modeling

Before propensity modeling
Blanket marketing communications efforts to all prospects

After propensity modeling
Target prospects likely to respond to marketing communications efforts

Low   Medium   High

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8 out of 10 entrepreneurs who start businesses fail within the first 18 months

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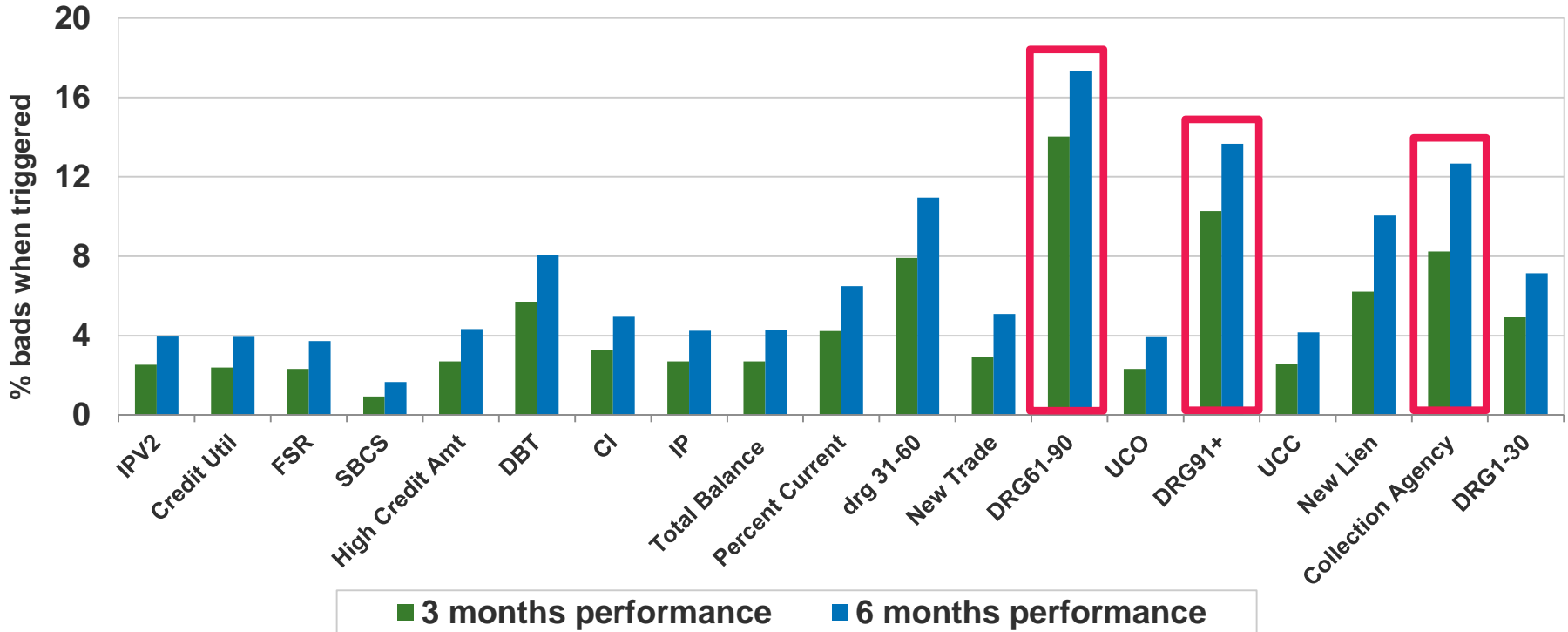A ROADMAP FOR **GROWTH**

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Mitigating risk with small businesses

- Look for early warning signs of credit deterioration
- Look at on book performance

Single triggers*

Chart: "% bads when triggered" (y-axis, 0 to 20) across categories: IPV2, Credit Util, FSR, SBCS, High Credit Amt, DBT, CI, IP, Total Balance, Percent Current, drg 31-60, New Trade, DRG61-90, UCO, DRG91+, UCC, New Lien, Collection Agency, DRG1-30.

Legend: ■ 3 months performance   ■ 6 months performance

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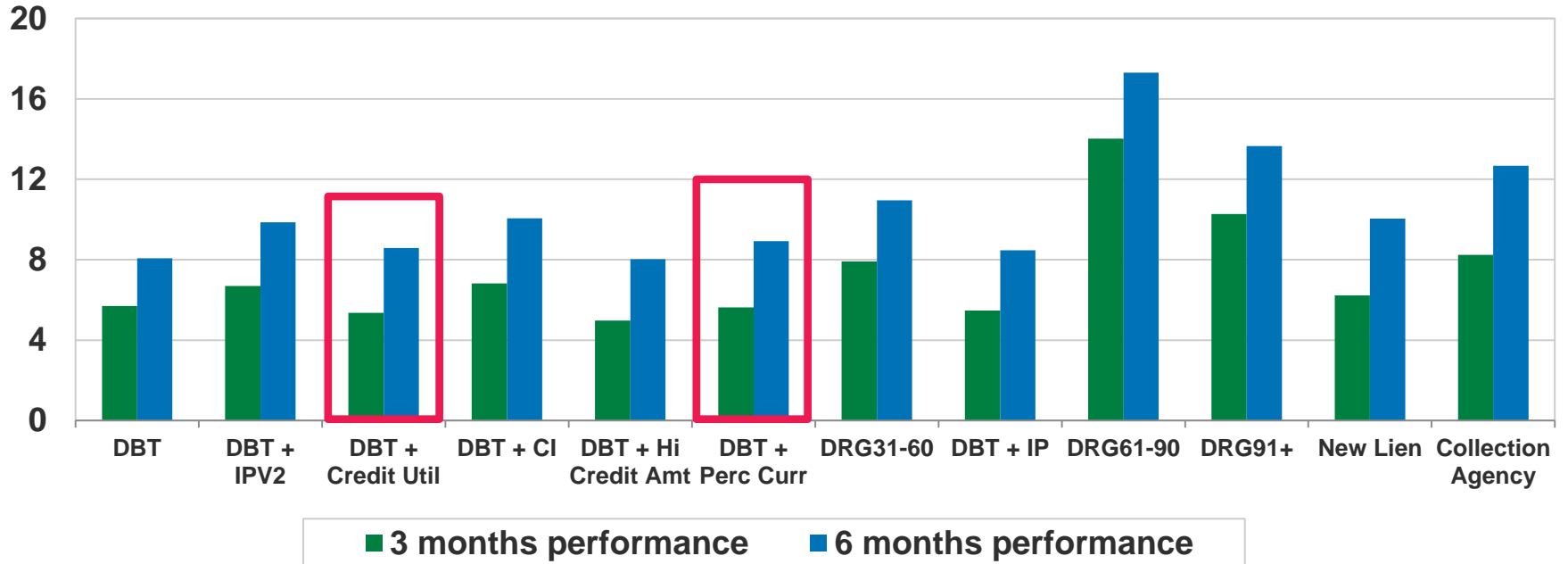TAKE CONTROL
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Mitigating risk with small businesses

- Combining less predictive single triggers with other triggers can help identify bad businesses

Some predictive single and two combination triggers*

Legend: ■ 3 months performance ■ 6 months performance

Categories (x-axis): DBT, DBT + IPV2, DBT + Credit Util, DBT + CI, DBT + Hi Credit Amt, DBT + Perc Curr, DRG31-60, DBT + IP, DRG61-90, DRG91+, New Lien, Collection Agency

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Reporting reduces risk and fuels small business growth

- Reduce risk by reporting on all loans

- Improves small business footprint

- Finance their business out of personal and business credit

- Small Business Credit Share^{SM} consortium provides expanded financial data

We report our credit information to Experian

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Retaining small business customers

- Monitor customers for credit activity
  - ▸ New trades
  - ▸ New inquiries
- Monitor portfolios with high relationship manager turnover
- Attributes drive retention offer and strategy:
  - ▸ Good performers = best offer
  - ▸ High value client = best offer
  - ▸ Risky / poor performers = average offer
- Propensity models with triggers

If your customer is out looking for credit, someone else is looking to extend them credit!

Understanding business credit

What information do small business owners say they need most?

1
Qualifying requirements

2
Financing options

3
Understanding business credit

Source: OnDeck Main Street Pulse Report, February 2015

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Credit education for small businesses

Scores on statements

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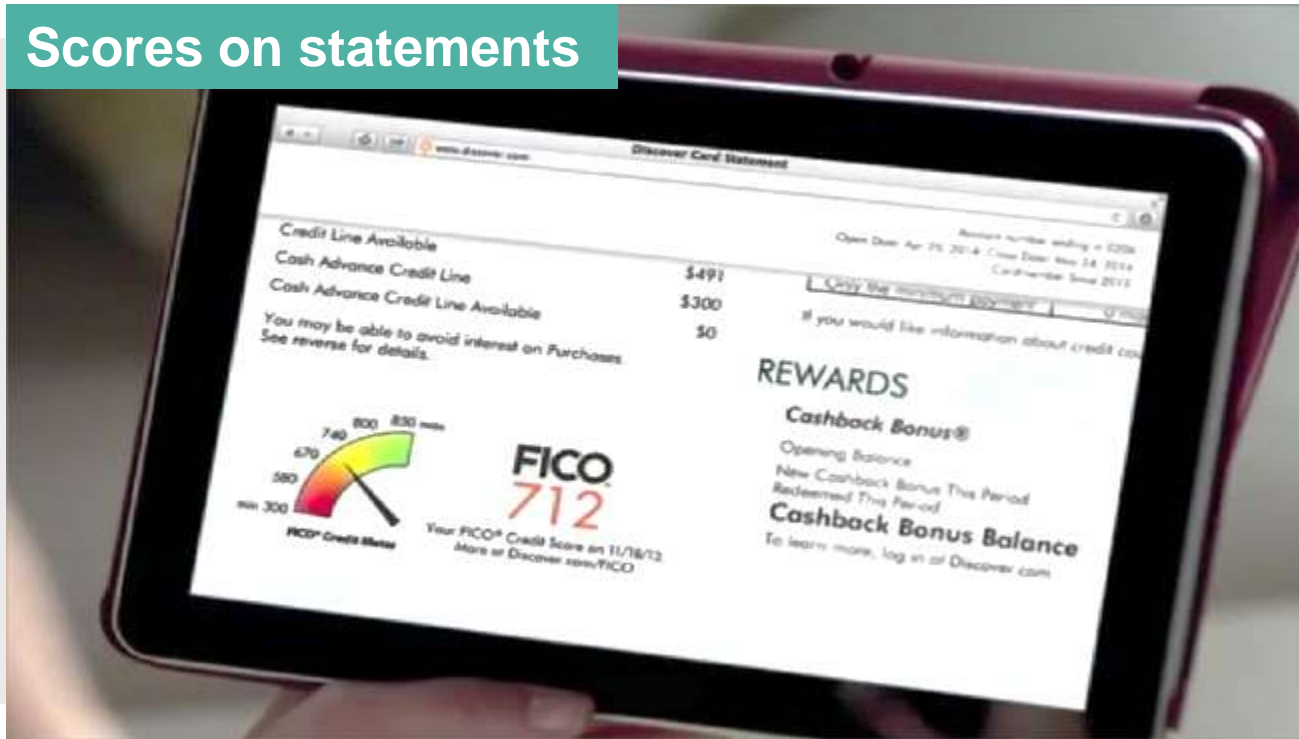
Credit monitoring for small businesses

- Avoid surprises

- Manage factors that drive company's business score

- Maximize opportunity for business growth

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More than one-in-four small businesses still cannot access adequate financing

- Use analytics and data collection strategies to target small businesses likely in the market for financing

- Become your customers premier provider for financial products by monitoring for signs of credit activity

- Offering financial education to small businesses helps them access necessary capital and aids in retention

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