U.S.-BASED FINTECH USES NOMIS SOLUTIONS
to Meet Evolving Market Dynamics and Drive Exponential Growth

COMPANY RESULTS

- ✔ 10:1 return on investment in the first year
- ✔ Sizable increase in net interest income
- ✔ Optimized personal loan originations
- ✔ Implementation of a closed-loop pricing process

AT-A-GLANCE

FinTech companies are transforming the U.S. banking industry by leading the way in more dynamic, customer-centric solutions. Recently, a leading U.S. FinTech company found success through segmentation and highly targeted offerings, having recognized the substantial business opportunity available by delivering exactly what their customers want, exactly when they want it. The company partnered with Nomis Solutions to implement market-leading price optimization capabilities and take its competitive advantage to the next level.

CHALLENGE:

Uncertainty in Price Optimization

With a focus on driving exponential growth in unsecured personal loans, the U.S.-based FinTech realized the importance of pricing their products correctly to maximize growth potential.

Given a wide range of borrower profiles, needs, and preferences, the product management team saw the benefit in implementing a price optimization solution to balance the potential of deteriorating risk quality with volume and profitability objectives. Further, executives recognized a significant opportunity to increase revenue and better predict and manage expected losses through price optimization.

The company sought a partner who deeply understood the intricate details

of price optimization and that would be able to provide the tools necessary for the organization to remain nimble. As a digital disruptor themselves, the company required a data-centric solution, a strong industry point of view, and pricing expertise to further optimize pricing based upon their unique business objectives.

Ideally, the technology stack would include the following key requirements:

- ✔ Ability to capture how customers respond to a wide range of prices, and simultaneously consider that price does not directly correlate to risk.
- ✔ Ensure that speed and pricing accuracy would not be lost while ingesting large amounts of everchanging competitor data.
- ✔ Demand and price elasticity models should adapt to the FinTech's go-to-market strategy.

✔ Provide pricing dimensions at the most granular level to ensure the company was outperforming all other offer rates.

SOLUTION:

Best-in-class, Closed-loop Analytics

Upon successful implementation of the Nomis Solutions technology stack, the FinTech was able to generate demonstrable results in the market. Nomis' advanced technology solutions answer the most critical question of portfolio pricing: *What is the optimal price for my product given my customer needs and preferences, as well as my strategic goals and constraints?*

The new optimization and forecasting engine now enable the company to effortlessly create best-in-class, closed-loop analytics tailored to their unique needs and portfolio goals. Price-sensitive demand, behavioral, and profitability modeling is fueled by transaction, customer, macroeconomic, and competitor data to manage goals and constraints across thousands of pricing cells.

SOLUTION:

Seasoned, Knowledgeable Industry Expertise

The FinTech conducted a controlled experiment to test the impact of price optimization on production and profitability. They ran an A/B test where customers were randomly assigned to receive either optimized rates generated by Nomis' system ('NPO Test Group'), or

rates from their business processes as usual ('Control Group').

When compared to the Control Group, the NPO Test Group delivered a significant increase in the net interest income of the production optimized, ensuring a 10:1 return on investment in the first year.

During this campaign, Nomis' seasoned team of industry experts assisted the FinTech in strategically altering rates based on granular predictions of interest rate sensitivity for different customer segments. For example, based on the different sensitivities across online channels and credit scores, rates were decreased for the prime segment within a channel by 90 basis points. Results showed a 15% booking lift, which translated into a 9% increase in net interest income for that channel.

Nomis staff further facilitated a better understanding of the client's data by:

✔ Demonstrating the most and least price-sensitive segments (e.g., channels and risk bands) so the FinTech could focus on the right areas to adapt rates.

✔ Highlighting the main drivers of conversion propensity so the FinTech could confidently set their pricing strategy as needed.

SOLUTION:

Ongoing Scalability and ROI

In addition to the near-immediate implementation results, price optimization continues to improve over time. Models are regularly re-calibrated

through continuous machine learning, which increases predictive accuracy and creates a closed-loop pricing process that regularly reviews and iterates pricing scenarios based on past performance and current goals. As a result, the FinTech will be able to meet changing corporate or market dynamics and realize an ongoing return on investment.

The FinTech now considers Nomis Solutions an integral part of its standard analytical horsepower to optimize personal loan originations. These capabilities give the company a solid foundation to further expand and refine price optimization strategies moving forward.

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