



American Banker: 2020 Price Optimization Study

Research background

Nomis Solutions partnered with Arizent/American Banker to uncover needs in price optimization processes among banks and lenders.

Online survey was conducted in January 2020 among 156 respondents working at banks/lenders with \$10B+ in total assets.

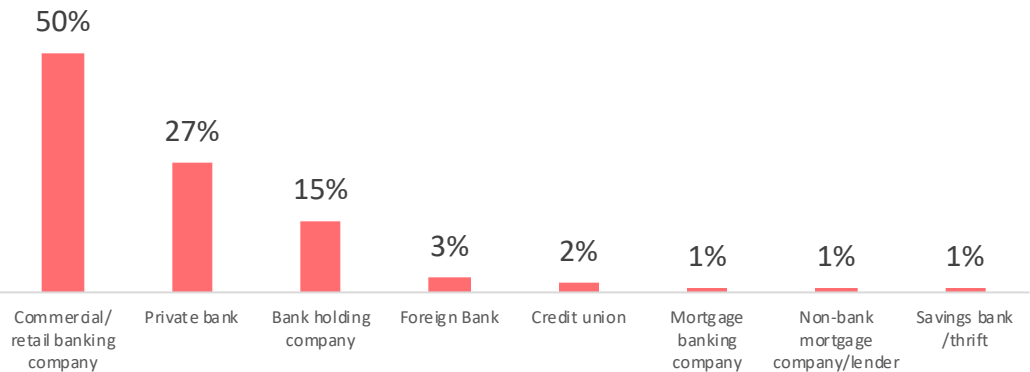
Target:

Director level or above with deposits and loans line(s) of responsibility and work in one of the following functional areas: product management, retail banking, analytics, pricing

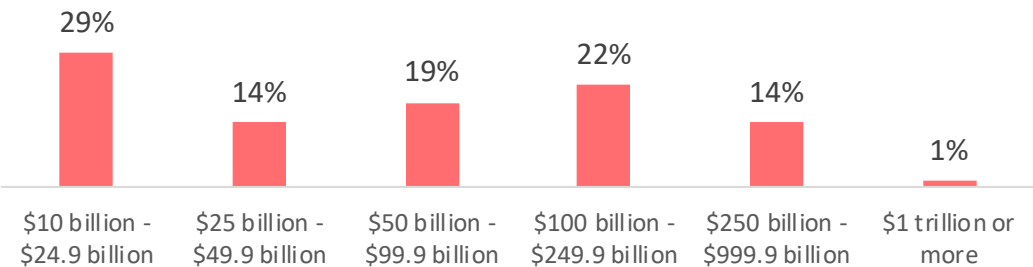
Note: for the purposes of this research, small-mid size institutions are defined as \$10B-\$49.9B in assets (n=68) and large institutions are defined as \$50B+ in assets (n=88)

Respondent profile

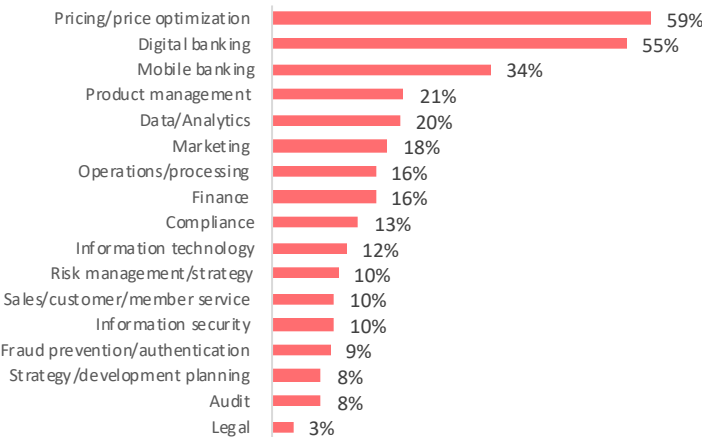
Organization type



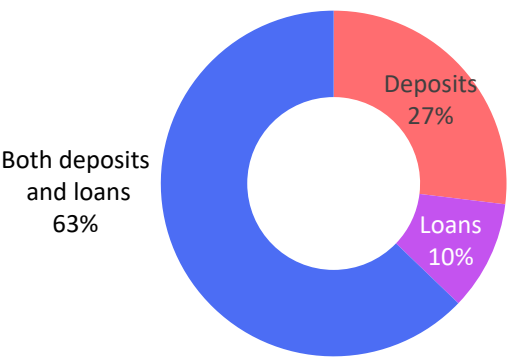
2019 Total assets



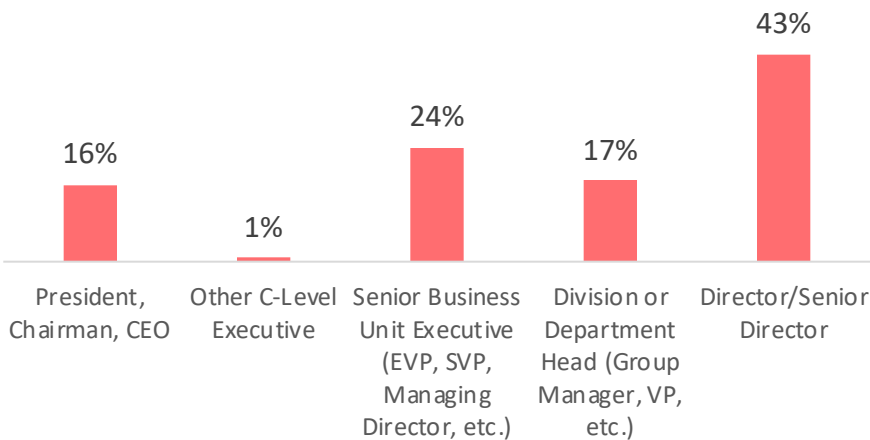
Function(s)



Primary line of responsibility



Job level



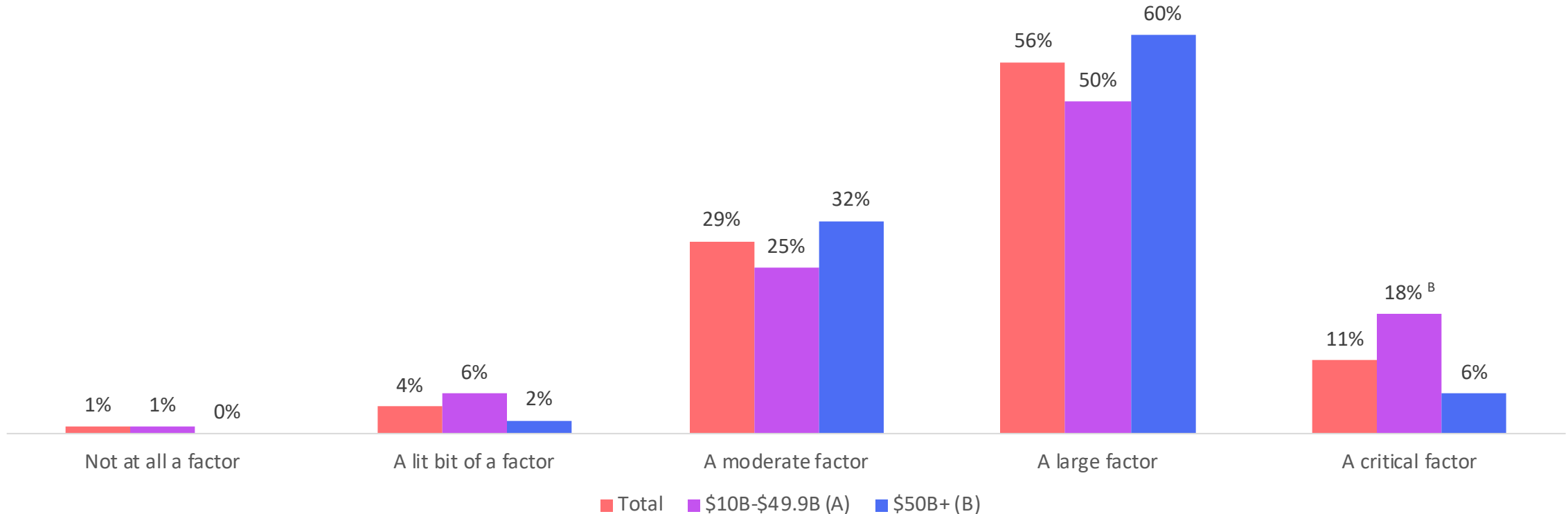
Key takeaways

- Pricing strategy is mostly reported as a critical/important role in banks/lenders' success yet their biggest challenges are in delivering timely, personalized pricing offers and rigid systems impeding consumer-centric strategies.
- The vast majority of respondents indicate having advanced pricing capabilities however many are not highly effective in managing various aspects of the pricing process. This discrepancy may be partially explained by banks' limited reliance on external, best-of-breed resources for pricing optimization deployment.
- Key to pricing technology adoption: addressing security concerns, regulatory compliance constraints and integration with legacy systems.

**Detailed findings:
\$10B-\$49.9B banks/institutions vs. \$50B+
banks/institutions**

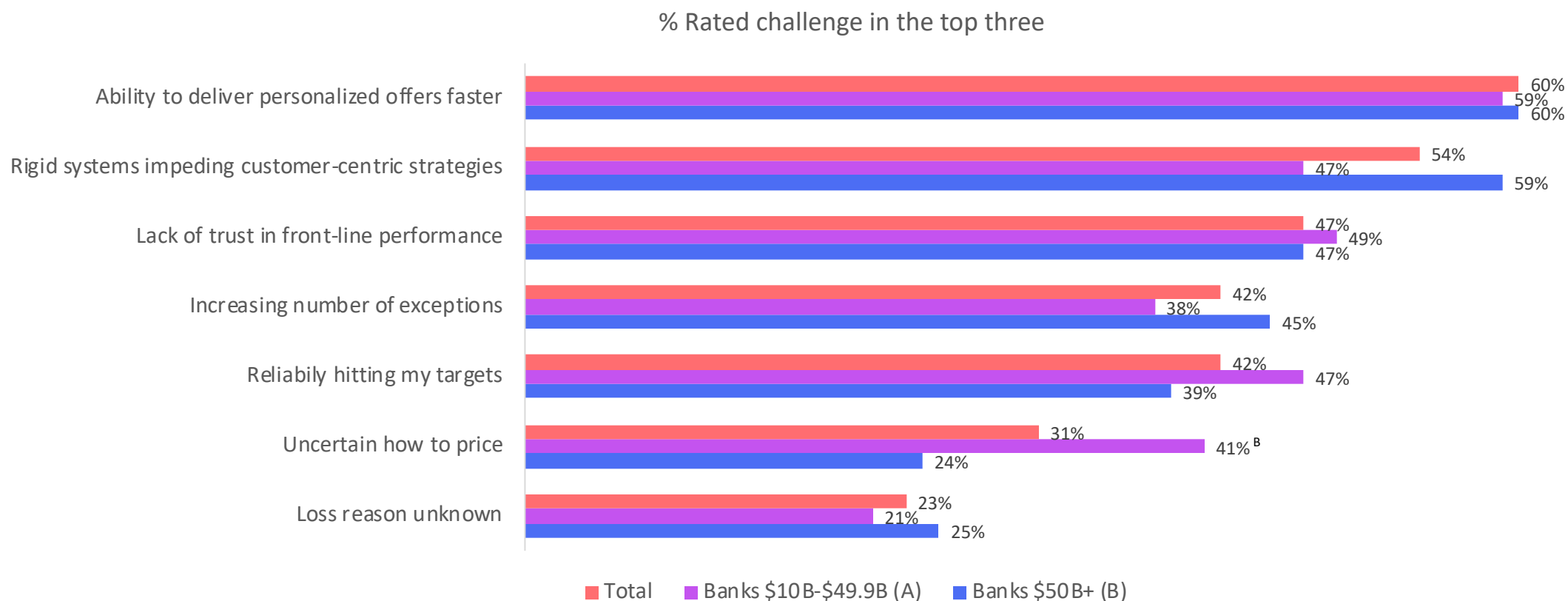
Pricing strategy: success factor in 2020

Two-thirds of respondents indicate that pricing strategy is a large or critical success factor in 2020, with nearly all reporting it plays at least a moderate role; small-mid size institution respondents are more likely than large institutions to indicate that pricing strategy is a critical success factor this year.



Key 2020 challenges

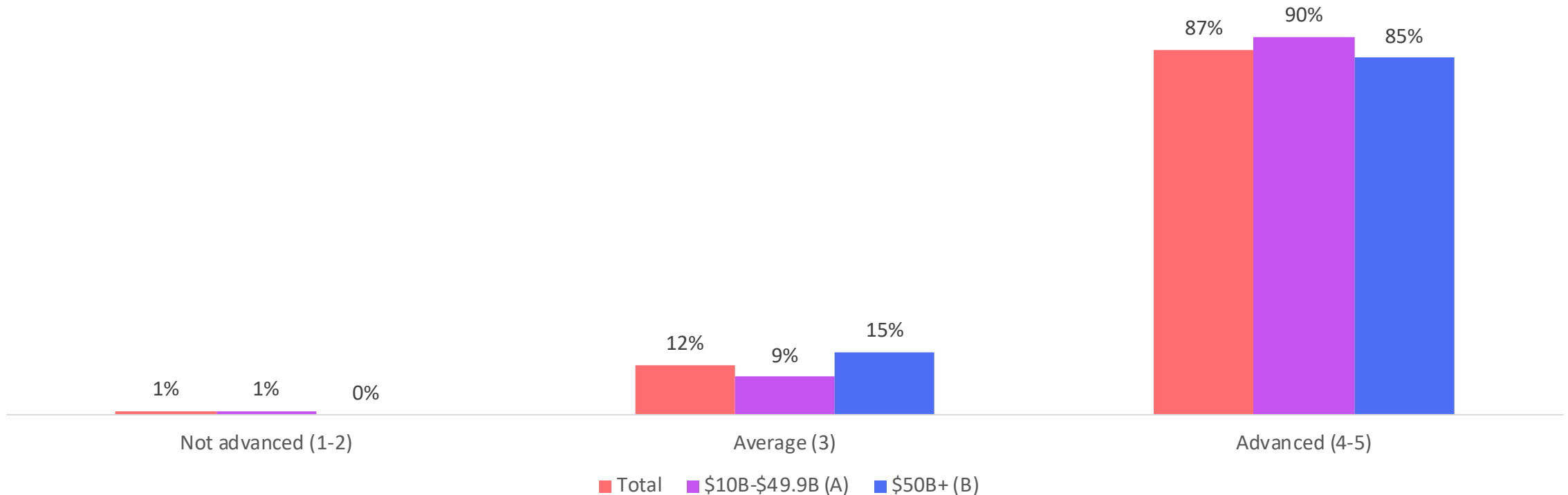
However, institutions of all sizes are struggling to deliver personalized offers quickly – it is cited as the biggest 2020 challenge; this challenge is magnified by technology that does not offer the flexibility or scalability required to support the execution of customer-centric strategies.



Price setting/optimization capabilities

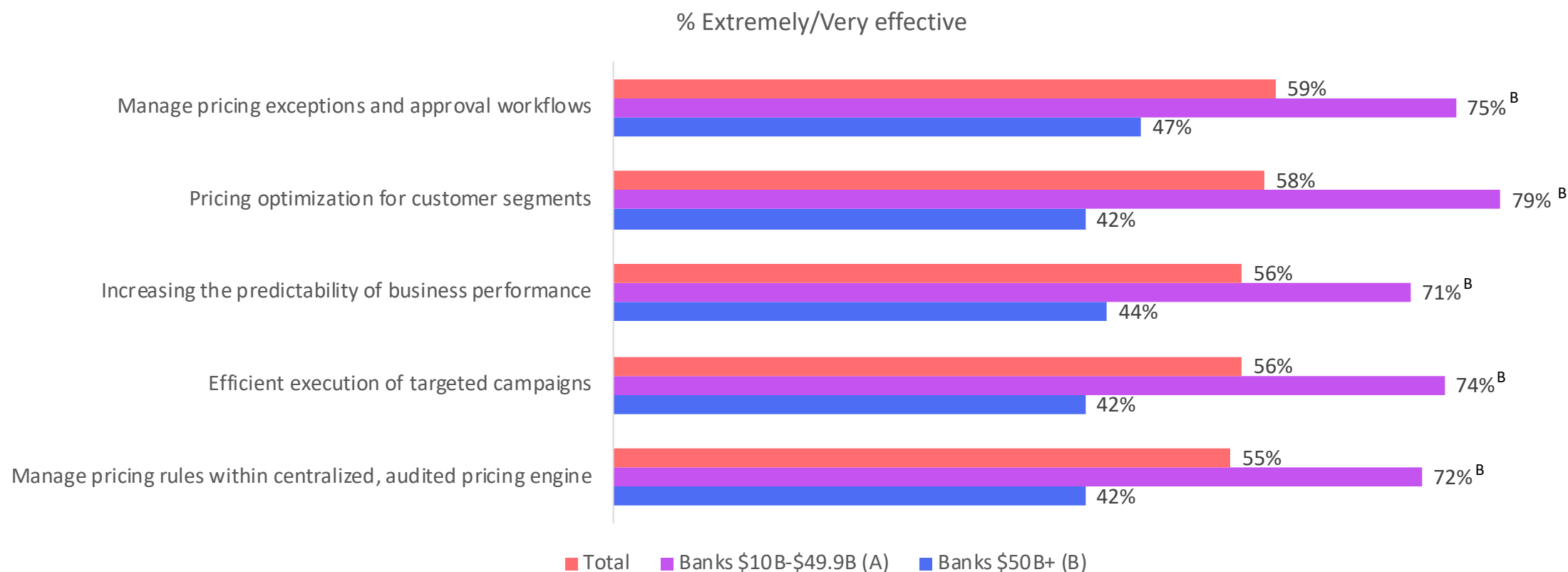
The vast majority of respondents indicate that their price setting/optimization capabilities are advanced.

Level of price setting/optimization capabilities



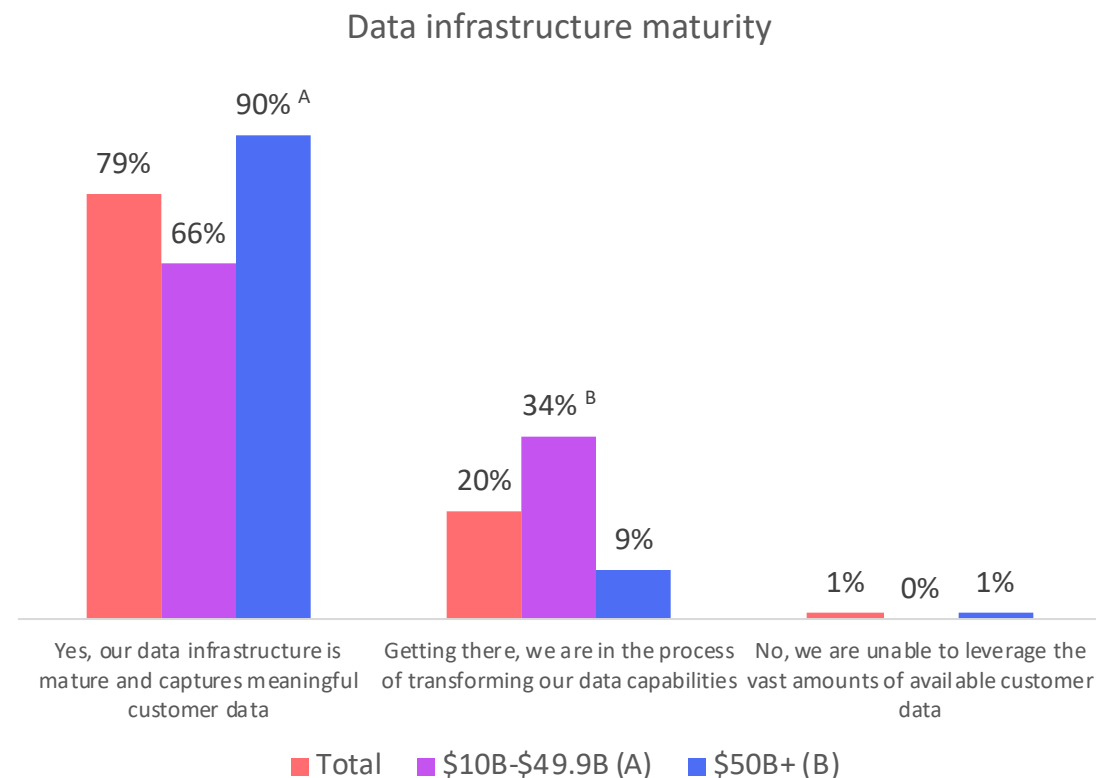
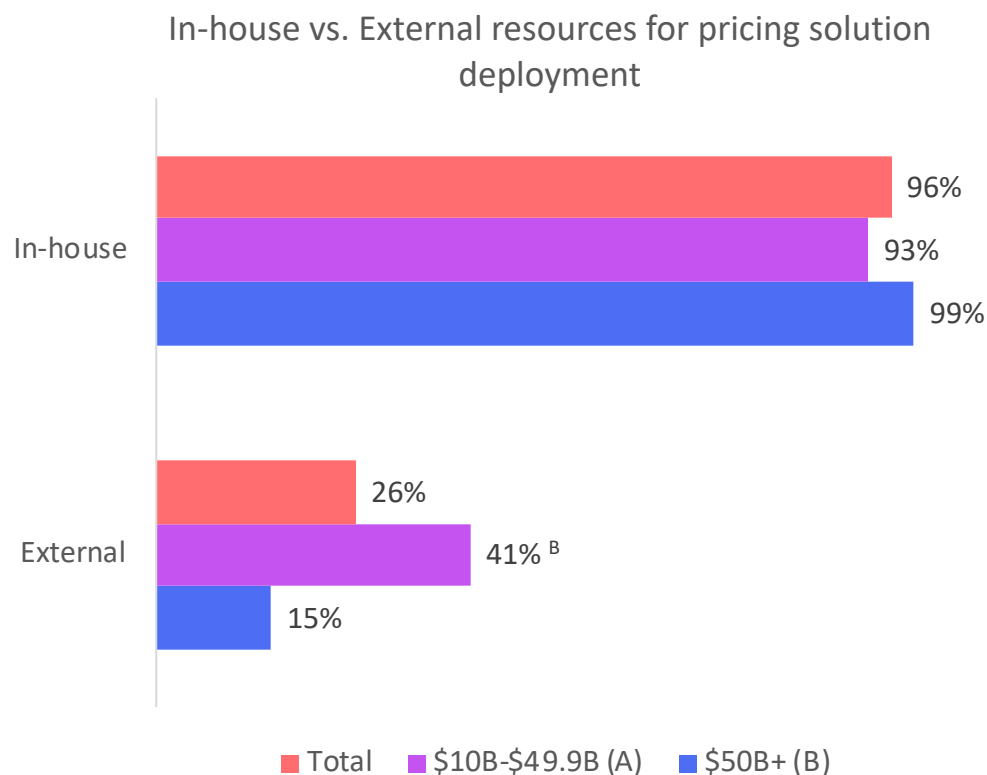
Effectiveness of pricing processes/technology

However, fewer than 6-in-10 respondents report they are highly effective in managing various aspects of the pricing process; small-mid size institutions are significantly more likely to report success in all areas compared to larger competitors.



In-house vs. external resources; data infrastructure maturity

Virtually all respondents report reliance on in-house resources to deploy price setting/optimization capabilities; just one-quarter are leveraging external resources. The majority report that their data infrastructure is mature and capturing meaningful customer data, with small-mid size institutions more likely than large institutions to be in the process of transforming data capabilities.

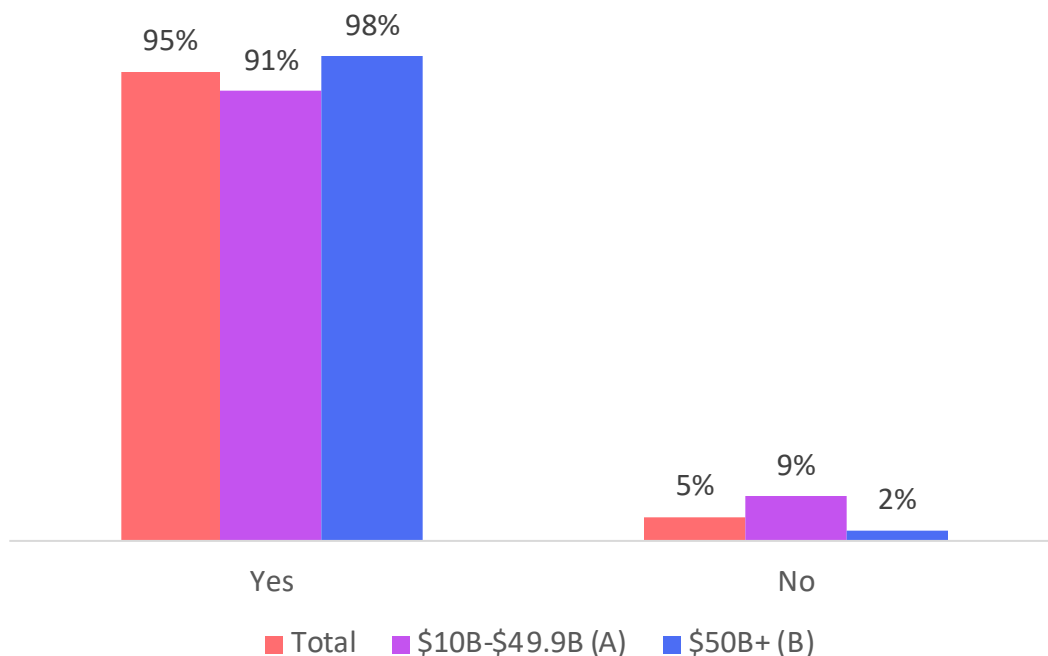


Q: Is your bank/institution currently leveraging in-house or external resources to deploy price optimization solutions? Q: Does your data infrastructure enable you to have clear visibility into your customer attributes and preferences?
Base = 156 total; 68 \$10B-\$49.9B; 88 \$50B+
Letters indicate statistical significance at the 95% confidence level over the indicated segment

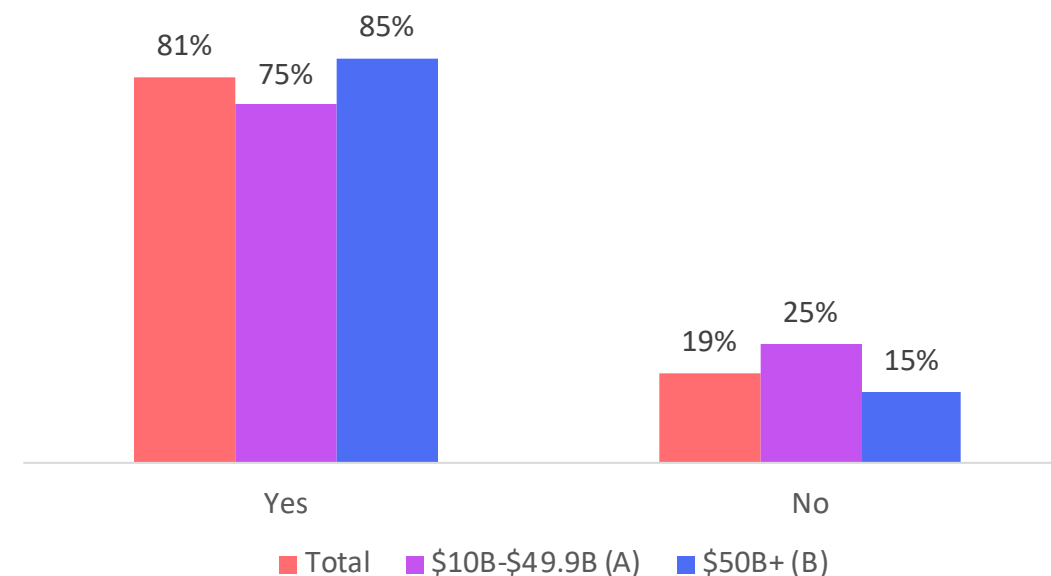
Pricing line of sight and feedback process

Once pricing/offers reach the front line, 95% of respondents indicate that they have a line of sight into how/if it is leveraged; 81% indicate that there is a feedback process in place that informs them of when/why offer is rejected.

Front line pricing: line of sight



Feedback process on when and how offer is rejected



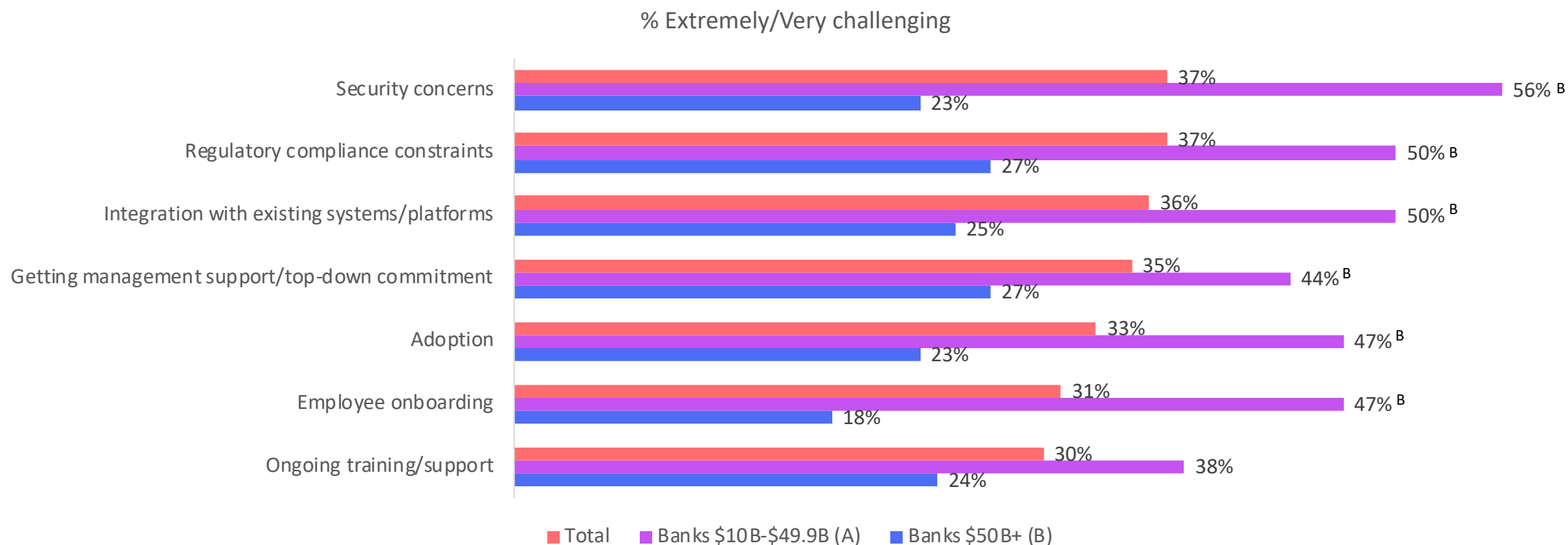
Q: Once your pricing/offers reach your front line, do you have a line of sight into how/if it is leveraged? Q: Do you have a feedback process that tells you when and why an offer is rejected?

Base = 156 total; 68 \$10B-\$49.9B; 88 \$50B+

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Pricing technology implementation challenges

Key to adoption of pricing technologies: addressing security concerns, regulatory compliance constraints and integration with legacy systems; these are challenges for all respondents but more widely reported among small-mid size institutions.



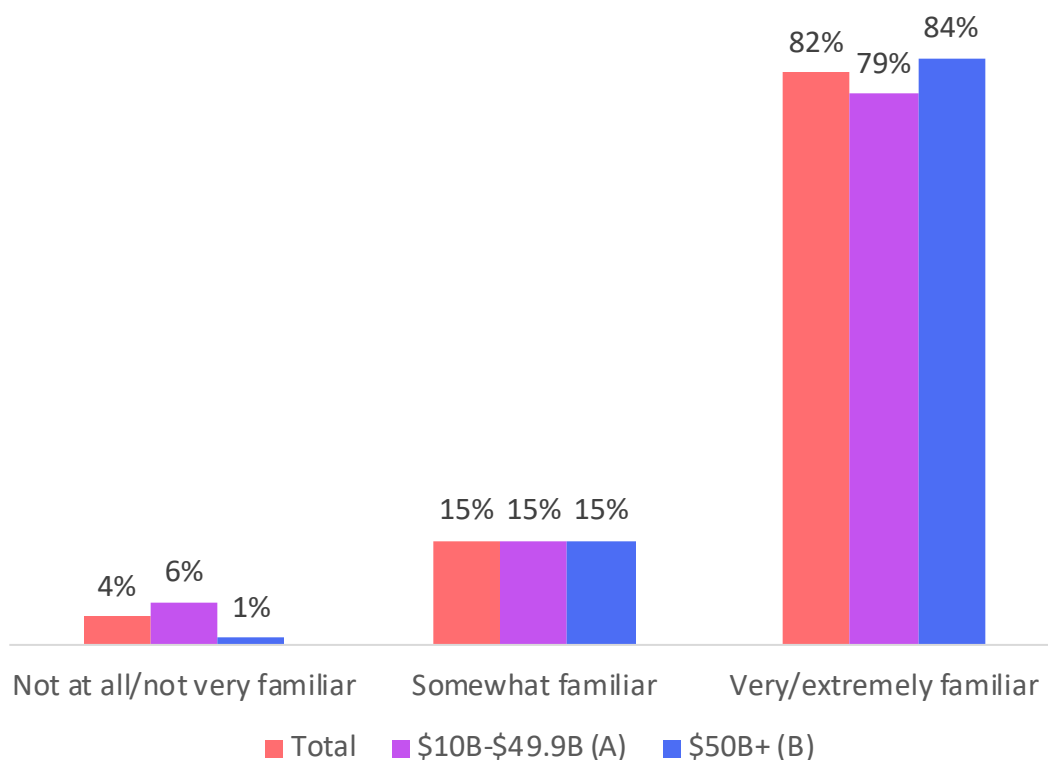
End-to-end pricing solution definition

Adopting a more holistic approach to pricing can realize significant outcomes by taking the guesswork out of pricing, executing complex pricing rules at the customer-level in real-time, and by arming your frontline bankers to win more opportunities, profitably. A unified pricing platform that can deliver seamless, connected capabilities helps retail banks and lenders achieve customer-centric pricing and offers by delivering insights at every stage of the customer value chain, from back-office strategic planning to front-line execution for both consumer lending and deposits.

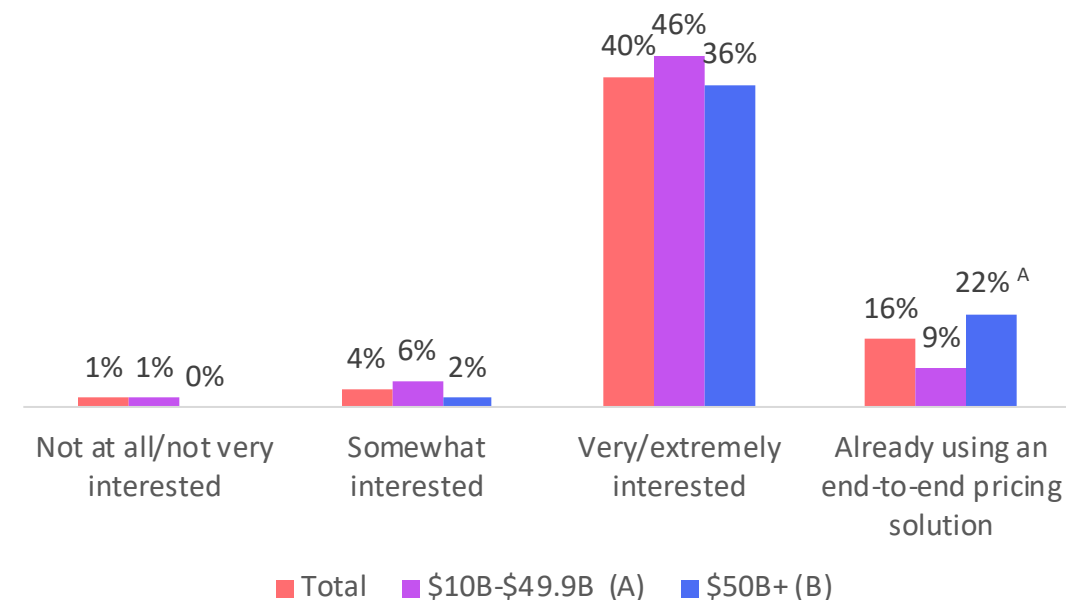
Familiarity and interest in end-to-end pricing solutions

The majority of respondents report widespread familiarity with end-to-end solutions; large institutions are more likely than small-mid size institutions to be already using an end-to-end pricing solution.

Familiarity with end-to-end pricing solutions



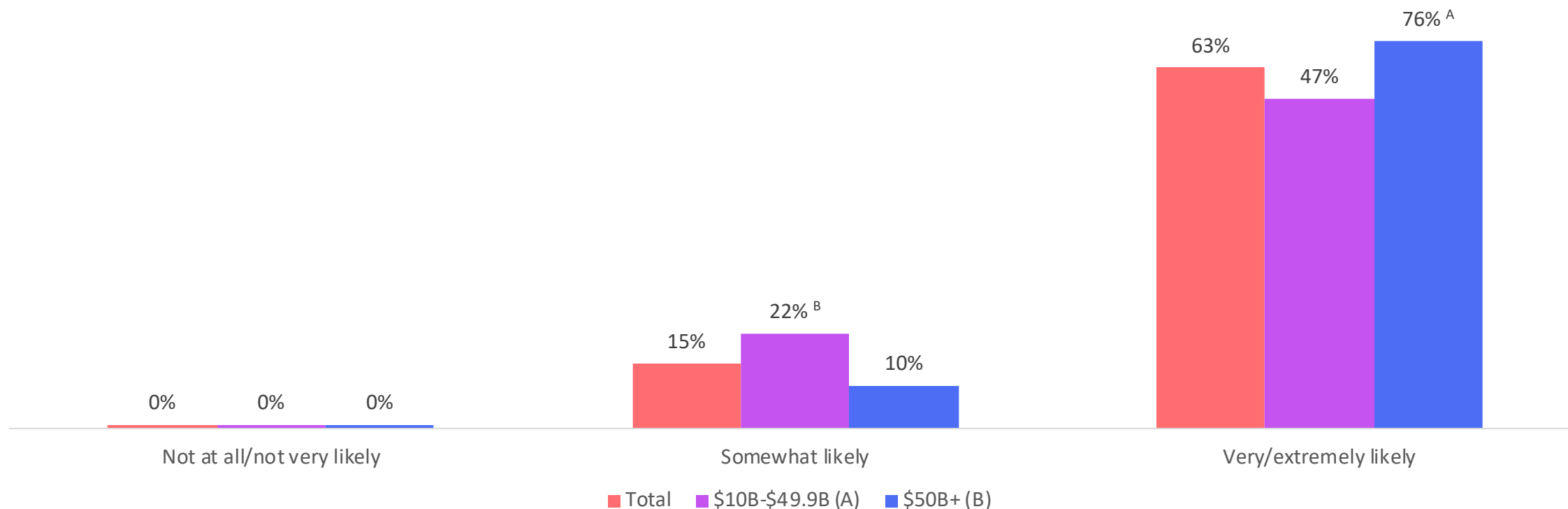
Interest in using an end-to-end pricing solution



Q: Prior to reading the above, how familiar were you with an end-to-end pricing solution? Q: How interested are you in using an end-to-end pricing solution?
Base = 156 total; 68 \$10B-\$49.9B; 88 \$50B+
Letters indicate statistical significance at the 95% confidence level over the indicated segment

Likelihood of implementing/updating pricing technology/processes

Nearly two-thirds of all respondents are very or extremely likely to implement/update pricing technology/processes in the next year; large institution respondents are more likely than small-mid size institution respondents to implement/update their pricing technology/processes within the next year.



Pricing technology/processes comments

I like the ability to execute complex pricing rules at the customer level in real-time because this will increase revenue growth.

We could really use a sound system to understand how our pricing models are reaching the end consumer and why or why not our pricing was not effective in obtaining and/or retaining clients.

It can win customer confidence in our products and we can stream line with our competitors and grow .

Due to pricing solutions small changes in average price can translate into huge changes in operating profit.

The key factors in this is how long you have to put aside for staff training.

End to end pricing analytics deliver credible insights with easy-to-use tools to the front lines.

#leadtheway

Any questions, please contact

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