



# ANATOMY OF A DECISION: BANK PRICE OPTIMIZATION TECHNOLOGIES

ANALYST

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## THE BOTTOM LINE

**Nucleus conducted in-depth interviews with price optimization customers to better understand buying decisions.** We found that Nomis continues to lead the market over other offerings such as FICO, Earnix, and Novantas. Some of the key features that drove customers to select Nomis include industry expertise, advanced functionality, and productivity enhancements.

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## OVERVIEW

Retail banks are facing an increasingly competitive market; driven by advances in technology, a trend toward applying external technology resources, and a rising rate climate. An emerging sector of third-party banking technology focuses on price optimization. This is the use of big data analytics to better understand consumer behavior, which allows banks to increase the competitiveness of pricing based on customer segmentation and price sensitivity.

Nomis offers price optimization solutions for the banking industry, with products built specifically for lending, mortgages, and deposits. It uses highly advanced analytics and big data to deliver tools that enable advanced price segmentation based on a combination of customer behavior data and data from a number of external sources. Its offerings include:

- Price Optimizer for deposits. This solution provides tools that help users predict balance movements between portfolios and products, visualize growth and

profitability, and deliver highly detailed relationship-level price sensitivity analysis.

- Price Optimizer for lending. This product utilizes transaction, competitor, and market data to identify customer price sensitivity. It can be applied to UPL, HELOCs, HELoans, and AUTO lending.
- Price Optimizer for mortgages. This solution allows users to segment mortgage buyers based on price sensitivity. Its capabilities include setting and enforcing discretion limits and context to help front line staff members close better.

During deployment, the company works with its customers to prepare their data and develop sophisticated pricing models. After implementation, customers experience increasing benefits because, as the system acquires additional information over time, the solution is able to learn and tweak its models to provide greater accuracy.

Nucleus found that customers rigorously evaluated price optimization solutions and ultimately chose Nomis for a number of reasons including its industry expertise and its advanced functionality. As a result, customers have experienced significant productivity enhancements and also reported improvements to their margins.

## THE NOMIS ADVANTAGE

Nucleus interviewed price optimization customers who used a variety of products including Earnix, Novantas, and Nomis, or had an internal team on staff. We found that the Nomis's industry expertise, advanced functionality, and productivity benefits, were important factors that led the majority of decision makers to ultimately choose Nomis.

### INDUSTRY EXPERTISE

Nucleus has found that industry specific solutions, such as Nomis, offer a 57 percent faster time to value because they require less consulting spend and because they are built to already address unique pain points with minimal custom code (Nucleus Research, *p64 – Vertical solutions drive greater value in analytics*, April 2015). As a result, customers have access to pre-built functionality that has incorporated the best practices of past deployments.

**Industry expertise is critical in delivering a faster time to value.**

When customers reviewed options for their price optimization solution, they were heavily focused on the depth of industry knowledge and understanding that was available. Over the years, Nomis has built a reputation of being a leader in providing its extensive knowledge to the banking industry. Customers who ultimately chose Nomis reported that:

- *"Nomis has smart people with good ideas, taking it from the academic to how you actually implement it."*
- *"Nomis is the leader in the field, we saw them as understanding the data coming out is only as good as the data going in and they worked really hard to see what we could do with the data."*
- *"We went to Nomis because of their Canadian expertise – they have good insight into the competitor's ability to benchmark, on or off the market. The customers are different but that industry insight was really valuable."*

## IMPROVED USER PRODUCTIVITY

In speaking with customers, Nucleus found that, on average, users were able to reallocate 60-75 percent of their internal team, or were able to avoid the cost of new hires. Previously, customers had to manually calculate pricing segmentation, which is an extremely challenging and time-consuming process. Even some of the larger teams were not able to feasibly collect, integrate, and incorporate all of the data that Nomis leverages for its analysis.

**On average, customers were able to reallocate 60 to 75 percent of their team to high value-added tasks.**

With the addition of Nomis to their price optimization processes, customers were able to do more ongoing analysis with fewer people. In addition, the analyses are more accurate because they leverage advanced industry expertise with large amounts of data. Customers told Nucleus that:

- *"We needed a solution that we could staff internally without having to hire a bunch of PHDs"*
- *"We used to have internal analysis with 4 people, and Nomis has taken the place of three people."*
- *"Could use excel or business analytics platform like Tableau or Qlikview, but we would have to have people to do that, would probably need at least 5-7 people."*

## ADVANCED FUNCTIONALITY

Price optimization is a very effective solution, but there are few vendors that are able to leverage the advanced prescriptive analytics that are necessary for an effective model. Functionality played a key role in selecting Nomis, because customers wanted an accurate solution that would provide greater knowledge than they could achieve with an internal team.

### Nomis augments the knowledge of an internal team by using advanced prescriptive analytics models.

One of the main requirements for a price optimization solution to provide more advanced information is the ability to incorporate different data sources into the analysis, and the ability to run the models more often than is possible to do manually. In addition, the models and algorithms need to be granular and detailed in order to achieve highly accurate pricing optimization. Customers reported that:

- *"They are focused on the science and the math and the algorithms ... and is a good fit for us."*
- *"We have a lot of consultants that can do a similar thing, but they aren't as granular as Nomis, which accounts for new flows coming in."*
- *"Novantas was not as robust from a functionality standpoint."*
- *"We have a lot of consultants that say they can do the same, but they really couldn't do the same as Nomis, because Nomis is more granular."*

## CONCLUSION

Customers considering new price optimization solutions are driven by a team of business users as opposed to an IT team. As a result, these customers focus on the value that a price optimization solution can provide and they need software that will increase productivity while providing accurate and granular analyses.

In speaking with price optimization customers using a range of tools, Nucleus found that Nomis was the reigning choice. This is driven by a number of factors including advanced functionality, industry expertise, and the need for improved user productivity. Nomis customers stated that they were satisfied with the solution, and 90 percent responded that if they had to choose a price optimization product tomorrow, they would still choose Nomis. Nucleus expects that as customers continue to use Nomis, they will experience increasing benefits overtime because of

the solution's iterative approach to price optimization. This is indicative of Nomis' continued success as a leader in the market.

