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CUSTOMER SUCCESS STORY

Major Canadian Personal Lender

The Challenge

Concerned about its competitive position, a large Canadian bank set a three-year goal to increase its ranking in personal lending from #5 to #3. However, the bank found it difficult to increase market share in a highly competitive and crowded market with limited insight into customer preferences. The bank knew that pricing had an important impact on a client's choice of personal loan options, but they didn't have the price sensitivity insights required to tailor their personal lending offering to different customer segments.

Despite ambitious goals, it was important to the bank that the planned growth was steady and aligned with the overall market at 5% or 6% as well as within acceptable risk tolerance levels. Bank executives were also committed to maintaining profitability as the portfolio grew.

Outcomes

100,000
AVERAGE INCREASE IN
LOANS VOLUME

1.10%
AVERAGE INCREASE IN
NET INTEREST MARGIN

$33 million
TOTAL INCREMENTAL
MARGIN REVENUE

Results

With data-driven insight obtained using Nomis Solutions' Price Optimizer for Lending, the bank developed a strategy to implement quick-win process enhancements and product adjustments as well as improve their lending customer experience across the lending process. The pricing team used Nomis' advanced data analysis to create a new rate grid that offered additional tiers and bands to attract additional customers. After implementing the Nomis Solutions' Price Optimizer, the bank:

- Increased loans volume by an average of more than 100,000 annually for each of the first three years.

- Increased net interest margin (NIM) by an average of 1.10% annually each year for the first three years.

- Realized total incremental margin revenue of almost $33 million in the first three years.

New Capabilities

Since implementing Price Optimizer for Lending, the bank can make better decisions that meet its specific business targets. Because of the new capabilities, the bank can now:

- Visualize the impact of proposed rate changes before they happen and model multiple what-if scenarios, allowing pricing decision makers to respond quickly and confidently to market changes.

- Identify the most price-sensitive rate cells and customer segments to better understand what rates are most appropriate for various segments based on customer behavior.

- Adjust pricing to support the strategy and goals as the portfolio evolves to reflect the bank's specific priorities and targets for volume and profitability.

Using advanced data analysis to create a new rate grid that offered additional tiers and bands to attract additional customers, a major Canadian personal lender realized almost $33 million in incremental margin revenue and improved its competitive market position.

Prior to changing rates or strategy, the bank runs a Closed Loop Pricing Process within the Price Optimizer to determine impact of any changes. This allows the team to make adjustments to reflect their stated goals and understand any tradeoffs inherent in constructing an Efficient Frontier of pricing options.

Even with a limited team, the bank's use of Price Optimizer provides a much deeper level analysis more quickly, allowing them to test many more scenarios than they might otherwise. Based on Nomis' industry benchmarks developed over more than a decade, this bank that was previously lagging behind competitors is now a leader in many key categories.

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About Nomis

Nomis is a fast-growing FinTech focused on ensuring on-going value creation for the world's smartest financial institutions through optimized, end-to-end, customer-centric pricing capabilities. Institutions of all sizes leverage Nomis' unparalleled domain expertise and their market-leading Nomis Platform™ to operationalize cutting-edge Big Data and AI to understand and anticipate customer demands, competitor actions, and market dynamics.

Nomis has a proven track record of increasing customer and stockholder value, returning nearly $800 million to its partner banks every year.

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