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Product Review

Nomis Price
Optimizer
Provides
Dynamic
Results for
AmeriCredit



Nomis Price Optimizer Suite

Nomis Price Optimizer Provides Dynamic Results for AmeriCredit

REVIEWER: Tom Schwartz, vice president of Profitability Analytics for AmeriCredit Corp.

BACKGROUND: AmeriCredit Corp. is a leading independent automobile finance company that provides financing solutions indirectly through auto dealers in the U.S. and Canada. AmeriCredit has more than 1 million customers and more than \$16 billion in managed auto receivables.

PLATFORMS: We have deployed a hosted version of the solution and access it through Microsoft Internet Explorer.

PROBLEM SOLVED: In 2006, AmeriCredit made two key acquisitions, including Bay View Acceptance and Long Beach Acceptance, that allowed it to expand its reach beyond subprime to both prime and near-prime segments. AmeriCredit wanted to become the one-stop shop, offering solutions to dealers to help them sell more cars and be prepared to originate more car loans, regardless of a customer's credit rating. This change in strategy resulted in a shift in philosophy to concentrate more on the customers' individual needs, financial history and customize a lending option for each loan rather than a blanket approach that was created from a cost plus method or competition-based pricing.

PRODUCT FUNCTIONALITY: AmeriCredit has generated \$4 million in profit improvements in the first three months of using the Nomis Price Optimizer. The solution enables us to proactively manage the dynamic and volatile lending environment with interest rate changes, competitor moves and changing internal goals. We have also improved our ability to execute on our pricing strategies, empowering us to better meet our customers' and dealers' needs and to increase shareholder value.

STRENGTHS: By engaging Nomis Solutions and implementing the Nomis Price Optimizer, AmeriCredit quickly achieved increases in market share and profitability, as well as a more strategic approach to pricing. Following the initial effort to implement optimized prices, AmeriCredit and Nomis Solutions are now focused on executing a longer-term implementation roadmap that includes rolling out Nomis Price Optimizer for Auto Finance to 100 percent of the business, enhancing AmeriCredit's central and regional pricing processes, streamlining price execution and measurement regionally and nationally, and integrating Nomis Deal Optimizer at the point of sale in dealers to enable front-line pricing. This helped us understand the significant benefits that can be achieved with an enterprise-wide pricing strategy and process. While the overall company strategy can be planned at a national level, it retains the flexibility to be continually refined regionally and locally for optimal point-of-sale price execution that benefits front-line underwriters and credit analysts while adhering to corporate profitability goals.

WEAKNESSES: The Nomis Price Optimizer Suite was successful in determining the optimal pricing, which translated into valuable rate sheets. However, we found that guidance to the front-line staff was needed during the negotiation process with dealers; they needed to understand the benefits and tradeoffs of "going off the rate sheet" to make better pricing decisions that support corporate profit and revenue goals. This is something that we have worked on with Nomis Solutions and plan to implement in the near future.

SELECTION CRITERIA: With a few proven optimization technology vendors to choose from, AmeriCredit set out to identify a partner

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Profit-Based Pricing for Banking and Finance

Nomis Price Optimizer

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that had considerable knowledge of the industry and a willingness to deliver a customized solution. It was paramount that the partner demonstrate a strong understanding of business process and change management consideration, as well as actual working, developed and deployed solutions. Nomis Solutions proved to be the best fit with these qualifiers in place.

DELIVERABLES: Nomis provides AmeriCredit with the ability to create optimized rate sheets that are used across our business. The information is clear, the process is transparent and it improves our ability to better control the point of price execution. The solution also provides a graphical depiction of the rate-volume tradeoff, known as the efficient frontier, in addition to pricing analytics in the form of preformatted and user-defined charts.

VENDOR SUPPORT: Kicking off the implementation, Nomis Solutions assembled a team of price optimization and auto finance experts under the leadership of Dr. Robert Phillips, founder, chief science officer and vice president, Research and Development for Nomis Solutions.

DOCUMENTATION: Documentation is a work in progress. We expect that a complete set of solution documentation will be provided as part of the final stage of our configuration effort this year.