



Finding a pricing optimization solution

A case study by **Tom Schwartz**, Vice President of Profitability Analytics for AmeriCredit.

AmeriCredit is the leading independent provider of full-spectrum auto finance solutions for auto dealers and consumers. A publicly traded company, AmeriCredit has more than \$16 billion in managed receivables and a strong balance sheet and liquidity, with ample opportunity to expand in multiple market segments.

The business challenge

In 2006 and 2007, AmeriCredit made two key acquisitions, Bay View and Long Beach Acceptance, which allowed us to expand our reach beyond subprime and into both near-prime and prime segments. With this change in strategy, we were now prepared to become a full-spectrum auto lender, offering solutions to dealers to help them sell more cars, regardless of a customer's credit rating.

With the market expansion, we needed to move beyond our risk-based approach to pricing. Our pricing team recognized the need for a more advanced approach to help them better understand market response, tailor our rates to specific market segments and use a more methodical pricing process.

The pricing solution

After investigating the available pricing solutions on the market, we decided that purchasing a pricing optimization solution was the best course of action. We then needed to find a partner with considerable knowledge of the auto finance industry, and a team of pricing experts who understood the complex pricing process and were capable of delivering a customized solution.

After an extensive evaluation process, AmeriCredit turned to Nomis Solutions and its profit-based pricing approach, which is powered by pricing optimization technology. The Nomis Price Optimizer for Auto Finance has been implemented by leading banks and auto finance companies that strategically use

pricing to increase profits and market share by 10-20 percent; gain valuable insights into how price impacts market response and product performance; and utilize a consistent, repeatable and efficient pricing process that helps support compliance efforts. The award-winning solution combines pricing analytics, price optimization and price execution into a comprehensive pricing strategy and process.

Tom Schwartz is Vice President of Profitability Analytics for AmeriCredit, a Fort Worth-based full-spectrum auto lender. For the past seven years, Schwartz has worked as a pricing executive and consultant in retail, manufacturing and distribution, and financial services, specializing in the evaluation and deployment of price optimization solutions.

Meeting unique needs

To demonstrate the value of the Nomis Price Optimizer, the Nomis Solutions pricing team worked with AmeriCredit to define a 12-week in-market deployment design that allowed for clear and concise measurement of the solution's value.

We were impressed with how it could track the contribution that profit-based pricing made to business results, separate and distinct from any other business strategy or random market fluctuation.

At the conclusion of the in-market deployment, we had achieved significant and demonstrable profit improvements of 17 percent compared to the existing risk-based pricing approach. We also acquired a number of key insights about market response to our pricing, as well as the importance of price execution management.

Last, but certainly not least, our pricing team gained valuable experience using a more advanced and structured approach to pricing,

which enables AmeriCredit to automate rate generation while better tailoring buy rates to specific market segments, ultimately allowing us to achieve performance targets.

Increasing profits

Today, the Nomis Price Optimizer for Auto Finance is AmeriCredit's full-spectrum pricing and profitability solution, which has enabled our pricing team to significantly increase profits. In the first quarter of full deployment, the return generated by the profit-based pricing initiative was over \$4 million.

AmeriCredit's pricing managers are now empowered to use pricing strategically to:

- Generate profit and volume increases by better tailoring buy rates
- Use a consistent, repeatable and efficient pricing process
- Evaluate responses to competitor price moves before executing rate changes
- Forecast future performance based on pricing plans
- Stress test the forecast with macroeconomic changes
- Create reports that demonstrate the impact of pricing on key performance indicators

By delivering the right price the first time, AmeriCredit has been able to build trust with dealers as the 'go to' lender to get a deal done, strengthening our dealer relationships and satisfaction and encouraging repeat business.

Dr. Robert L. Phillips, founder, Chief Science Officer and Vice President of Research and Development at Nomis Solutions, comments: "By using pricing optimization technology, AmeriCredit is armed with a solution that enables the business to better and more proactively manage the dynamic and volatile lending environment with interest rate changes, competitor moves and changing internal goals." ■