



EQUIFAX®



Case Study

Captive auto lender discovers likely financial capacity of consumers for new electric model

CHALLENGE

An auto manufacturer and its captive financing arm needed to provide insight to dealers on the target audience of a new model to ensure effective sales, particularly since the target audience was significantly different from the typical buyer of the brand.

SOLUTION

The captive auto lender worked with the Equifax team to provide dealers with likely financial capacity and demographic information for consumers interested in a new electric model.

RESULT

By using Aggregated FICO® Scores, financial behaviors, and demographics to evaluate interested consumers, the captive lender was able to convince dealers that the financial investment required to stock the electric vehicle on their sales lots and to promote the new vehicle was worthwhile.

Challenge

New Auto Model and New Target Audience, Yet Limited Insight on Interested Consumers

A leading auto manufacturer was in the process of revolutionizing its lineup of cars and trucks. Its typical models featured speed and sporty styling and tended to attract younger buyers. Given the evolving consumer purchase trends in the auto market however, the manufacturer decided to refresh its product lineup.

The manufacturer introduced a new family-friendly electric model which was targeted toward a different audience, “green, environmentally-aware families.” Consumers that were interested in the new electric model could pre-order it with a deposit, even before seeing the vehicle.

Dealers were unsure about the new model and the potential new customers. They knew they would have to make a significant investment to promote, stock, and service the new vehicle, since it was the brand’s first electric model. In addition, dealers had limited knowledge about the profiles of the consumers who put down deposits, given the divergence from traditional buyers of the brand. Dealers wanted reassurance from the manufacturer and captive lender that consumers who were putting down deposits had the right financial profile to purchase the vehicle and if their demographics and behaviors matched the new vehicle’s target audience.

Solution

Gain Insight on Likely Financial Capacity and Persona of Interested Consumers

The manufacturer’s captive financing arm was asked to provide more information on interested consumers (deposit-payers) of the new model. The captive lender considered several third party providers to gain insight on the consumers.

“We chose measures from Equifax because they were the only source that could provide us information on both the likely financial capacity and demographics of interested consumers,” reported the head of credit risk and analytics department at the captive lender. “Other providers offered only demographics or survey-based information, but the Equifax foundation of measured assets and credit data plus their ability to provide insight on household demographics, behaviors, and lifestyles was a real differentiator.”

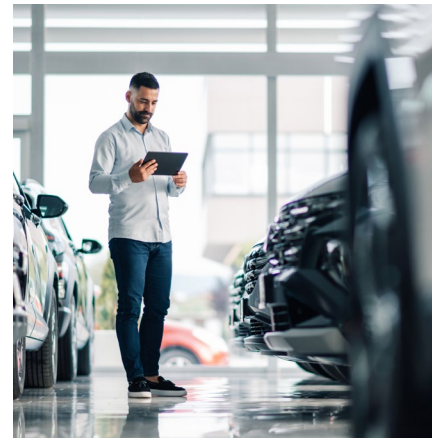
Results

Analysis Confirmed That Interested Consumers Were Likely to Have the Desired Financial Capacity and Demographics To Purchase New Vehicle

An analysis was conducted to better understand the estimated financial capacity and persona of interested buyers. Several financial and economic capacity measures were analyzed, including aggregated credit-based measures and an economic-based segmentation system.

The analysis revealed that interested consumers (deposit-payers) were likely to have:

- The appropriate financial capacity to purchase the new vehicle (likely to have higher Aggregated FICO® Scores and were less likely to be delinquent on auto loans based on aggregated credit measures); and
- Appropriate demographics that matched the characteristics of the target audience for the new vehicle (stable families, higher income, live in major metro areas). This was significantly different than the brand’s typical buyers.



Dealers had limited knowledge about the profiles of the consumers who put down deposits, given the divergence from traditional buyers of the brand.

Characteristics of desired target audience for new electric model	Results of analysis	Match between target audience and analysis
Financial Financial capacity to purchase new electric model	• More likely to have higher Aggregated FICO® Scores • Less likely to be delinquent on auto loans	✓
Demographics Environmentally friendly families	• Families with kids • Higher income • Live in major metro areas	✓

With these insights, the captive lender was able to convince dealers that the interested consumers were likely to have the appropriate financial capacity to purchase the new electric vehicle, plus have the right demographic and behavioral profile that matched the target audience for the new model.

This helped dealers decide to make the investment to stock and promote the new vehicle, including making investments to outfit their service departments to accommodate the special needs of an electric vehicle. “The results of the analysis helped us manage dealers’ expectations and get them on board,” stated the lender’s credit risk executive. “Our dealers were already familiar with FICO® Scores, so they were easily able to understand the value of Aggregated FICO® Scores in order to gain insight on the likely ability to purchase a new model.”

Going forward, the captive lender and manufacturer will conduct additional analysis to evaluate Aggregated FICO® Scores and other solutions for use in onsite dealer applications, targeted prospecting campaigns, and online advertising, as well as to assist with the launch of future models.

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