How to Choose the Right Decisioning Vendor

A ZOOT GUIDE
# Contents

- EXECUTIVE SUMMARY ................................................................. 3
- INTRODUCTION .............................................................................. 4
- PREPARE A FOUNDATION TO MAKE A GOOD DECISION ........... 5
- 10 THINGS TO EXPECT FROM TOP TIER PARTNERS .................... 9
- SO MANY DECISIONS, SO LITTLE TIME ..................................... 11
- CONCLUSION .................................................................................. 13
A software solution vendor should be able to demonstrate that they understand your business and the challenges you deal with on a daily basis. Ideally, you will partner with a vendor whose focus supports your strategy.

If you find a vendor more interested in your success than their product, you are on the right track. Knowing what questions to ask to determine if their services and solutions can exactly meet your needs is the essential component to making the right choice.

Buyer guides and sample RFPs can provide a useful starting point for evaluating a potential vendor, but there is not a “one size fits all” approach that will work for financial institutions (FIs). Each FI needs technology that facilitates their unique strategy. To find the right vendor, an FI must first answer the following:

Executive Summary

Of course, how each institution answers these questions varies. That is where the expertise of the vendor and their capabilities make the difference between barely meeting today’s problem and defining success for years to come.

“How DO YOU DEFINE YOUR SUSTAINABLE ADVANTAGE?”

“How IS YOUR TECHNOLOGY ALIGNING WITH YOUR BUSINESS OBJECTIVES?”

“What ARE YOUR CRITERIA FOR MAKING A DECISION WHEN EVALUATING TECHNOLOGY?”

“Excellence in cost cutting may be a differentiator in crisis, but trim the fat, don’t butcher the vision.”

VIRGINIA GARCIA, CEB TOWERGEOPU 1
Introduction

Financial institutions have faced a number of challenges in the last few years. Changes in the regulatory environment, shifting consumer perceptions and behavior, increases in mobile use and the rising expectations of customers all contribute to the need for nimble partnerships. Those who prevail now and in the long-term will be those who are balancing tradition and innovation, i.e., keeping what works and replacing the rest with the best capabilities available.

Choosing what to replace is not a black and white decision. Costs are always a factor, as is speed to market. Perhaps the problem is internal with the FI’s technology structure, or external with sales and marketing. Did an online application process fail with customers because it was slow? Or was it because it presented information that was inconsistent with the bank’s other communications? Maybe the customer felt they were not offered relevant products?

When these questions are overshadowed by ongoing market fluctuations and government regulations, it can lead to a holding pattern and missed opportunities. But savvy FIs know there does not need to be a crystal ball predicting the market’s next move before they take action. They recognize the need to have a clear assessment of the existing technology in the institution and how it is (or is not) providing short-term revenue lift while serving long-term strategies.

What banks want is a vendor to come forward with solutions that will help reduce costs smartly and regain earnings momentum. Many institutions have already reduced costs by laying off staff, since salaries are the biggest operating expense. This places a greater burden—and opportunity—on technology. The right solution will allow FIs to automate as much as possible and process applications faster, enabling them to prioritize and place valuable resources in the best and most customer-focused roles in the company.

OPTIMIZING AUTOMATION TO INCREASE ENTERPRISE-WIDE EFFICIENCIES SHOULD BE ONE OF THE CORE VALUES OFFERED BY A FINANCIAL SERVICES VENDOR, EVEN IF NOT PART OF A PARTICULAR SOLUTION.

This guide recaps the industry factors affecting FIs, and how technology can support an FI’s strategy through the ever-changing market to help future-proof their business. It will help identify opportunities for investing in new technology while understanding what is important to keep in legacy systems.

“Should you find yourself in a chronically leaking boat, energy devoted to changing vessels is likely to be more productive than energy devoted to patching leaks.”

WARREN BUFFET
Prepare A Foundation To Make A Good Decision

Knowing that things could be better is not the same as knowing how to improve them. Perhaps you already determined that you need to make better credit risk decisions or that you need to improve customer loyalty. The question you face is about what path will deliver the results you need.

When partnering with a vendor, you need one whose tools and services can help drive new revenue and expand growth, while ensuring the best performance of the software you select. To make sure vendor selection aligns with your long-term strategy and vision, you will need to take these three foundational steps:

1. DEFINE YOUR SUSTAINABLE ADVANTAGE
2. ANALYZE YOUR EXISTING TECHNOLOGY
3. OUTLINE YOUR CRITERIA FOR A STRONG DECISION

Once this foundation is established, your organization is ready to review the top 10 reasons to choose a vendor. With your foundation defined and a solid understanding of what constitutes a good vendor partner, you can effectively make the right selection that will enable your institution to do what they do best.

“Strategy embodies clear priorities, based on understanding the strengths we need to preserve and the weaknesses that threaten our prosperity the most.”

MICHAEL PORTER, BUSINESS WEEK
1. DEFINE YOUR SUSTAINABLE ADVANTAGE AND MOVE AHEAD OF COMPETITORS

This is the fun part. What can a vendor bring to the table that will allow you to differentiate your institution in today’s highly competitive market? There are a number of companies that offer credit decisioning and loan origination, but fewer offer the innovation and flexibility to carry your ideas forward.

When selecting a vendor, you should be able to gain unique business advantages as well as meet your goals. For example, you might be well served by a software provider with instant prescreen technologies that refine customer segmentation and track offers in a central repository. Perhaps your customers will respond to faster decisioning or more services via mobile devices. The key is to start by looking at your strategy and working down to the technology to enable it, not the other way around.

Ultimately, any vendor you select should be able to offer the value from building once for many, as well as the customization to support your unique business objectives.

“To finish among the forerunners in the race for market share, FIs must seize competitive advantage in areas such as client value, locations, investment portfolios, and technology-based innovation.”

GUILLERMO KOPP, CEB TOWERGROUP 5
2. ANALYZE YOUR EXISTING TECHNOLOGY

Begin the analysis of your current technology through the lens of your business goals. If the technology doesn’t enable your business strategy, it’s time to consider if the savings from waiting to upgrade are outweighed by the limitations of the software. Strategy should drive the technology requirements, not the other way around.

For example, if an FI’s strategy is to approve more applications without hiring new staff, then an institution’s decisioning solution should improve business processes by automating most or all of the decisioning process while providing seamless integration with manual reviews where necessary. A solution can also increase efficiencies by eliminating duplicate systems and by integrating multiple channels, allowing information to be shared while decreasing data entry errors and improving the customer experience.

Continue the analysis of your technology (whether in-house or through a vendor) by evaluating how complete it is. What is its transaction speed and scalability? Is it secure? Does it meet current compliance standards, such as UDAP, SOX, FCRA, PCI, GLB, ISO 27001/27002, BITS service standards and SSAE15/ISAE3402? Does it allow business users control and flexibility? Does it support a positive customer experience at every touch point?

Having a list of your current capabilities will make it easier to hone in on what features and functionalities your business needs to add or improve. The bottom line is: does it improve sales for your FI?

Finish your analysis by looking at what to keep within your legacy system. A mistake FIs sometimes make when moving forward with a new vendor or new solution is taking an all or nothing approach. This can add unnecessary cost and time to a project. Sophisticated vendors should be able to provide seamless integration with existing platforms to achieve optimization without demanding a rip and replace.

In short, fix what is broken, but not at the expense of your legacy systems that are working.

BUSINESS USER CONTROL AND FLEXIBILITY

The ability to respond quickly in a changing market provides an adaptive, competitive advantage. Through an intuitive interface, business users at Zoot’s clients have the freedom to make the necessary changes to decisioning criteria when that flexibility is paramount. For example, users can make real-time changes to attributes like interest rates, score cutoffs, credit limits, and more with Zoot’s technology. Values can be pre-tested so that your changes can be implemented immediately and with confidence.
3. OUTLINE YOUR CRITERIA FOR A RATIONAL BUSINESS DECISION

Just as you would not hire a new executive in your firm—or any employee—without first learning more about who they are, the same should be true when you look for a vendor. You have the option to buy more than just a canned solution. You can invest in a partnership with people who will help you navigate today’s market—and far into the future.

Some other factors to consider when you begin your search for a new or better vendor are:

- Established and stable management team
- Adaptability (or Versatility)
- Length of client relationships
- Well-defined development process and business continuity plan

If all of the above checkpoints satisfy you, then your next direction is to focus on investment benefits and risks. How will this vendor allow you to reduce costs and increase profitability? How will this vendor help you manage risk?

Now more than ever FIs are focused on these last questions, but it is essential to evaluate who the vendor is first, then what they offer—to you.

“The most important caveat is to shy away from generic BI [business intelligence] solutions. . . . Bank tech vendors have banking solutions and they can get you going without first having to learn the banking business.”

ART GILLIS, BANK SYSTEMS & TECHNOLOGY 6
10 Things To Expect From Top Tier Partners

The following list highlights the minimum you should expect from a vendor and the greater capabilities that will allow you to get the most for your money.

1. MEETS YOUR EXACT NEEDS
   Offers standardized industry-leading capabilities along with configurations tailored to your needs, allowing your FI to benefit from economies of scale while fulfilling unique business objectives.

2. GOOD VALUE AND STRONG ROI
   Paces maintenance expenses and estimates breaking even within 12-14 months or sooner, allowing your FI to conserve capital while gaining a competitive edge. Provides dedicated, on-demand tech support.

3. THOUGHT LEADERSHIP
   Stays abreast of industry trends and anticipates new markets, becoming a trusted advisor to support your FI’s strategies with effective technology.

4. UNDERSTANDS YOUR BUSINESS
   Understands your organization and the industry, allowing your FI to differentiate its marketing and increase customer loyalty through relevant offers at any point of contact.

5. DYNAMIC AND HIGHLY ADAPTABLE
   Supports future enhancements, ensuring your technology can support new growth, both from a strategic and technical business point of view. When you’re pulling and pushing data from a specific branch or location, you want it to transfer, translate and return a decision quickly – and it has to compete with everything else crossing the web. Your decisioning vendor should be able to run data and information in milliseconds and through a secure environment with 99% uptime. Your vendor should be able to grow and automatically load balance each transaction with no delay or downtime.
6. **USABILITY AND CONTROL**

Supports your business users’ ability to easily update attributes, application screens, and scorecards. Your business users can focus on what’s most important – their customers. There’s no need to have a programming background to make quick changes. The market can change with a moment’s notice; your business should be able to keep up.

7. **REAL-TIME RESPONSE**

Reduces customer friction and enhances your marketing efforts for new products.

8. **RELIABLE INFRASTRUCTURE**

Provides premier uptime and business continuity, ensuring your FI’s solution is available when the customer is. While not required by any regulation, 99% uptime is the new-norm, along with a redundant connection and backup.

9. **MULTIPLE DATA CONNECTIONS**

Assures you have access to the data you want to make smarter lending decisions. Make calls to any or all bureaus and alternative data providers. Have technology built in your decisioning to call a backup provider if one is down or not responding.

10. **SECURITY**

Meets all regulations and certifications and offers total encryption to protect your data in flight and at rest. Information security should be modeled from ISO 27002 with PCI 3.2 certified, SOC 2 Type II compliance. It is also important to separate your physical and logical security practices, and make sure your vendors have separate (secure) space when working in your production environment with your customer’s personally identifiable information.

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71% of a bank’s customers say they will switch banks due to fraud. 

You can’t take any chances when it comes to data security – not just for yourselves, but for your customers.
So Many Decisions, So Little Time

With consumer confidence continuing to erode, many FIs are anxious to locate a reliable vendor to solve their problems and move them ahead of the competition. This competitive edge can be supported by technology that provides a better customer experience by offering the right product when the customer is ready to buy, decisioning applications faster, and protecting sensitive information.

Nimble, real-time tools are increasingly beneficial to FIs with complex credit decisioning needs. Real-time tools offer a unique advantage by allowing business users to quickly and securely create, modify, and implement business logic. This allows them to increase their agility in the market.

Even greater control of the credit policy cycle is possible through vendors that offer a simulation or test environment that allows credit risk managers to experiment with new strategies. By utilizing the non-production environment for testing with their own historical data, FIs can generate indicative performance results quickly to reduce fraud and other losses and their associated costs.

Another way to stay ahead of the competition is to take advantage of micro-opportunities and tap into non-traditional markets such as underserved consumers. Although this may sound risky for some FIs, the good news is that flexible technology is available to let lenders quickly and easily customize the logic they use. Advances in decisioning and loan origination systems provide the capability for lenders to use alternative and experimental data sources, as well as new models to analyze risk, quickly adapt to new markets and comply with new redlining regulations.

These advances allow FIs to not only see credit history, but also how a person lives, transacts and borrows. 20% of US consumers do not have a FICO® score, so there is a large chunk of business your FI could potentially miss out on. Advanced and agile decisioning technology allows your institution to approve applicants outside the prime and super-prime segments, while keeping risk to a minimum.

From the Ground Up

CASE STUDY

A leading retail bank’s private label card provider was sold to a competitor. At that time, bank management was faced with the choice of partnering with another service provider or launching its own business. The bank decided to launch the new card business starting from the ground up. One of the first steps was to find partners to help build this new business.

“We were looking for a technology partner that let us build the origination system quickly, but also let us customize as much as we wanted. Zoot’s technology gave us the ability to grow and adapt our platform, address potential fraud, and identify the total relationship our customers had with our company. We were able to focus on our business goals while Zoot focused on building the technology,” stated the chief risk officer for the bank.

Did they make the right choice? The numbers give the answer: the card platform attracted over 1.6 million customers representing over $2 billion in balances in the first two years.
Zoot’s relationship with Cabela’s CLUB program began in 1999 when the two companies worked together to develop a technology solution to prescreen customers via the telephone channel. Cabela’s World’s Foremost Bank (WFB) expanded their utilization of Zoot solutions to provide permissible purpose offers through the website and retail channels. Following the implementation of Zoot’s decisioning and loan origination solutions, WFB was able to double its credit card applications without additional staff.

“Over the years Zoot has become a trusted partner to our company. Zoot’s decisioning and loan origination solutions have helped us achieve significant efficiencies internally, while managing risk effectively,” said Sean Baker, President and Chief Executive Officer, Cabela’s CLUB. “We look forward to our continued relationship with Zoot and the opportunities this brings to grow our business through the use of their leading-edge tools and services.”

“We look forward to our continued relationship with Zoot and the opportunities this brings to grow our business through the use of their leading-edge tools and services.”

SEAN BAKER  
PRESIDENT & CHIEF EXECUTIVE OFFICER  
CABELA’S CLUB
Agility in Action

CASE STUDY

A top-10 financial institution (FI) needed to improve predictive capabilities of credit characteristics to address changing market conditions quickly without impacting operational efficiency and consistency.

In addition, the FI’s process for developing credit characteristics included significant cost and time delays. The FI determined they did not have the capabilities to solve these challenges in-house and started looking for a solution to create a new set of state-of-the-art, predictive credit characteristics that would be unique to their institution.

Ultimately, the FI chose Zoot because no other vendor could match their exact needs. In addition, Zoot had the ability to deliver the solution in the established time frame, which was six months for the majority of the coding.

With Zoot’s solution, the FI expanded the number of attributes evaluated per year by an order of magnitude, because they shortened the test cycle and no longer have to pay the bureaus to code each attribute the FI wants to test.

Implementing Zoot’s innovative approach to attribute creation and testing has resulted in projected savings of $2 million in the first twelve months after deployment of the solution. In addition, the FI has shaved months off the time to develop new attributes, enabling credit policy to stay current.

Conclusion

Software changes requiring vendor selection sometimes come at a point of pain and sometimes at a point of growth. Taking the time to clearly articulate organizational strategy, requirements and vision can help you find a vendor that will be a strategic partner, helping drive your institution’s success for years to come—even as regulations, technology, and consumer behaviors continue to evolve.

The financial industry will always be marked by degrees of instability and opportunity. Partnering with the right vendor can enable you to capitalize on the opportunity while mitigating the risks associated with instability.
ABOUT ZOOT

For over 25 years, Zoot Enterprises has been a global provider of advanced origination, acquisition, and decision management solutions. Our customer-centric tools and services enable Zoot’s clients to add value and differentiation, while providing nimble, scalable solutions for specific business objectives. A leader in the fintech industry, Zoot’s cloud based secure processing environment delivers millisecond real time decisions accessing hundreds of cutting edge data sources to help reduce risk and increase conversions. Our international client base includes major financial institutions, retailers and payment providers. Zoot’s network is distributed across three world-class data centers and provides unmatched security, redundancy and flexibility.

At Zoot, our promise is simple: To make our clients successful. We work closely with the top financial institutions in the world to deliver state-of-the-art solutions that satisfy the most demanding decisioning needs.

Contact Zoot today to learn more about how our proven solutions solve the most complex credit decisioning and loan origination needs and deliver ROI, while helping mitigate risk.

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