

August 2008

Decision Intellect is pleased to announce the release of our new website that aims to be more informative and easier for people to find what they are looking for. This release is the first of several that aim to soon include features that allow customers to access product documentation and tools, as well as automated features for lodging, updating and reviewing requests interactively with the DI support team. You can view the new website at [www.decisionintellect.com.au](http://www.decisionintellect.com.au)

The development team at Decision Intellect have been busy finalising the latest release of their decisioning tool "Inteflow" version 2.0, which was released in June. Version 2.0 adds additional functionality to make the product easier to use, more powerful and even more functionally rich than before. Users of the hosted Inteflow solution are already enjoying the benefits that this version has to offer. With an increase in Inteflow users by over 400% in the last year many more customers are now experiencing these benefits. If you would like additional information on Inteflow, or version 2.0 specifically, please contact us using the details below.

Looking back on the last financial year we have seen just how fickle the financial market can be. In particular the rising petrol prices, increasing mortgage rates and downfall in the sharemarket all have consumers talking. Continuing fears and scepticism over the new Rudd Government has seen a bumpy first six months of 2008 for the credit sector. On top of this credit professionals continue to eagerly watch the Australasian credit bureau space to see how the new competitive environment is panning out and what this might mean to their organisations. The article below provides a view into this from the perspective of Decision Intellect.

## Australasian Consumer Credit Bureaus - Where to from here?

The credit bureau market within Australia and New Zealand is undergoing change. The two major players, Veda Advantage (Veda) and Dun and Bradstreet (D&B) are both held by private equity players and are in about the same time window in terms of a return to their owners. This being said, each bureau has its own unique and distinct challenges. Veda's credit bureaus originated from the old CRAA in Australia and CRA in New Zealand. These have moved through a number of organisations including the merger with Baycorp. Up to 4 years ago Veda Advantage was the only real player in the consumer credit bureau market. Dun and Bradstreet's aggressive and successful entry into this space creates a difficult issue for Veda Advantage, the shift from a monopoly position to competitive player, while still dominant, can only have a negative effect on overall revenue. Veda has previously been able to cover any potential loss in market share through increased prices and an overall growth in the credit reporting market. 2008 poses a tougher problem as a combination of the credit crisis and higher living costs will result in potentially a reduction in the overall credit volume. Maintaining consumer revenue, let alone growth, may become a problem for Veda.

D&B's entry into the consumer space in 2004 was the result of many years of hard work building their database. The cost spent building up the database is most likely yet to be recovered and will be something that D&B's owners will be keen to see a return for. While the D&B consumer database is still smaller than Veda's, they have been able to pick up market share through two distinct areas. The first is an aggressive value based pricing model which bundles in many D&B services. The second is probably much less planned in that the data returned by D&B is not a subset of Veda's data but in fact adds complimentary data not returned by

## News

### July 2008:

The sort of information held on consumer credit reference files may be about to change. [more](#)

Business conditions continue to deteriorate: survey [more](#)

Honeymoon mortgage rates now thing of past [more](#)

Dun & Bradstreet chief executive Christine Christian said: "The turning of the credit cycle is now showing clear signs of impacting family budgets." [more](#)

Veda Advantage - Credit check workers on strike. [more](#)

UK - Pawn shops booming in the credit crunch. [more](#)

Veda. This provides D&B with a value adding proposition on top of Veda's offering. This second option is really a win-win for both D&B and Veda Advantage as it effectively increases the market volume for credit enquires rather than eroding market share for either company. The reasons for this variation in data held is not fully understood however it is most likely due to differences in data quality and matching processes and will be impacted by the organisations contributing the data to each of the bureaus.

Both bureaus will know that the current situation is only temporary. Providing D&B continue to gain market acceptance then eventually they will continue to build up the value of their offering to a point where their data depth is equivalent to that provided by Veda. This would provide financial providers with a switching alternative and a return to the use of a single bureau that best meets that organisation's requirements. The end result of this may be industry specific bureaus, regional bureaus (as in the US) or maybe it will be relationships, service, and product offerings driving bureau selection.

Where does this place Veda? Veda's position is an extremely difficult one. As incumbent provider their market share can only go down, the question is how they can limit the loss. Having a large fixed cost base means that any revenue loss will directly impact the bottom line. Some cost pruning can be achieved however the scale of this compared to the potential revenue reduction is minimal. A price war is not something that either bureau would be keen on. Cutting unit prices when unit volume is decreasing would impact Veda revenue streams further. D&B will also be under pressure to get the revenue returns for the many years investment in building their database. Any reduction in revenue will not be seen positively for them either.

Both bureaus will be keen on locking in forward revenues through fixed customer contracts. This is likely to be a big focus for them however it would be unwise for any financial provider to lock into an exclusive agreement with the market conditions and product offerings currently available. This may only assist the bureaus to tie up future revenues for the next 12 months or so. Another approach would be to get their products and services into as many systems as possible. This reduces the barrier to entry making the choice of bureau provider much more about product, unit price and service rather than the cost to implement. This approach has been used successfully by D&B in getting their services into the Transact, DecisionPoint and Inteflow decisioning products. Veda has recognised this and have their products supported within these systems also. Their appreciation of the importance of these links is highlighted in their recent decision to change the functionality within DecisionPoint to make it harder for these clients to use D&B.

The most likely option for both bureaus is to drastically increase the level of innovation in the products they bring to the market. This way they can add product differentiation to their offerings. The current credit products are vastly the same as what has been offered for the last 10 years. There have been some updates to scorecards, some variations to the identification products, and the addition of AML support however, in general, a financial provider is using much the same products as they always have. If either of the bureaus can add new products that provide significant value to financial providers, they would not only win that new business but would also be likely to win the core enquiry business.

## June 2008:

UNSECURED creditors receive less than 10c in the dollar in most company collapses.; [more](#)

Worldwide mobile subscriptions to reach 5.6 billion by 2013. [more](#)

Africa - New tool set to benefit lending institutions. [more](#)

Firms are now waiting an average of 55.8 days to receive payment. [more](#)

One month to meltdown? 40% of UK adults living on a financial knife edge. [more](#)

## March 2008:

USA - Another use for your credit report: Hospital bills.; [more](#)

## Events

### 8th August 2008:

Olympic Games.

### 2nd - 3rd September 2008:

9th Annual Banking Technology Summit.

### September 2008:

Adam (DI Support) and Renee are expecting their first child.

### 27th September 2008:

AFL Grand Final Day.

### 1st - 3rd October 2008 :

18th Annual Credit Law Conference 2008 † Gold Coast.

### October 2008:

AICM conference.

These are some of the challenges facing the CEO's of both organisations. Rory Matthews at Veda will be very much aware of the dynamics within a credit bureau, having been involved in setting up of Experian's competitive bureau in South Africa before moving on to run Experian's bureau in Netherlands. He will be bringing to Veda significant knowledge and drive and will have a vision of where Veda will have to be in the next few years. Christine Christen at D&B will be keen to make further inroads into Veda's consumer business as well as focusing on continuing to grow the commercial business. She will use her experience from the commercial space and has shown a willingness to recruit senior resources with consumer experience to build her team further. She too will be on a similar timeline to Ray.

*Disclaimer:*

*The views in this document those of the writer only and do not in any way reflect any internal views of either Veda Advantage or Dun and Bradstreet. Decision Intellect is a credit risk consultancy and solution company. It works with many credit providers within Australia and New Zealand plus other international countries. Decision Intellect has previously completed work for Veda Advantage, Dun and Bradstreet and Australian Business Research. It's principals have worked with credit bureaus based in New Zealand, Australia, Hong Kong, Pakistan, South Africa, UK and the US. It continues to provide services from Veda Advantage and Dun and Bradstreet within it products and where requested will work with the bureaus to provide solutions for customers.*

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