

# Axiom Relationship Profitability and Pricing System

Accurately Price, Analyze, and Manage Portfolios to Optimize Profitability



Most financial institutions can attribute profits to a narrow band of customers, so relationship managers must identify, monitor, and nurture these high-value relationships. To drive profitability, they must also focus on less profitable relationships — analysis tools can help pinpoint under-performing relationships and guide pricing decisions based on empirical relationship profitability instead of transaction volume or account balances.

Strata's Axiom™ Relationship Profitability and Pricing System (RPPS) helps front-line relationship managers and institution leaders understand the risks and opportunities around concentrations of economic profit in the portfolio, and informs effective evaluation and compensation so they can:

- Build complex relationships, linking individuals and businesses to a relationship with high accuracy through a flexible and intuitive interface.
- Actively manage complex relationships and portfolios.
- Precisely measure profitability for every account, customer, and relationship.
- Accurately price potential new business, seeing its effect on the entire relationship.
- Use dashboard insights to inform business decisions, tracking against selected profitability metrics at the institution, portfolio, and relationship manager levels.

Axiom RPPS unites robust relationship management, relationship profitability, and relationship pricing in a single, intuitive solution for both front-line staff and institution leaders.

## Relationship Management

Axiom RPPS' easy-to-use relationship management solution helps loan officers, branch managers, and other relationship managers build and modify relationships. It allows them to gain an understanding of the value of each account, customer, and relationship in their portfolio. Benefits include:

- **Understand the big picture** — Quickly gain insight into a customer's sphere of influence and the impact of pricing decisions on overall profitability.
- **Efficiently maintain relationship data** — Easily change relationships, and automatically include all related accounts for a comprehensive view.

### Key capabilities of the solution include the ability to:

- **Make the connection** — Link individuals and businesses to a relationship with high accuracy. Create relationships through data import or by using drag-and-drop functionality to connect individuals, entities, and their related accounts in an intuitive graphical view.
- **Understand relationships at a glance** — Quickly select any customer to see their relationships, account ownership, and related clients.

## Relationship Profitability

Axiom RPPS lets relationship managers and institution leadership understand and leverage actionable profitability analytics. Benefits include:

- **Accurately measure profitability** — Identify which relationships bring the most value to the institution and which relationships may need attention.

# Axiom Relationship Profitability and Pricing System

- **Limit risk** – Support relationship managers with timely data to limit the risk of underserving your most profitable customers or losing their business.

## Key capabilities of the solution include the ability to:

- **Monitor relationship profitability** – View performance analytics for customers, relationships, portfolios, and portfolio managers; understand relationship profitability based on selected metrics, such as Risk Adjusted Return on Capital (RAROC) and net contribution.
- **Easily prioritize for further analysis** – View the selected metric for each account in a relationship; color coding indicates the level of urgency for review.
- **Filter to create an actionable view** – Quickly slice and dice the portfolio to gain actionable insights, filtering based on performance levels.
- **Allocate costs and margin data** – Apply funds transfer pricing (FTP) and the organization's costs at the customer account and transaction level to ensure accurate relationship profitability calculations. Axiom RPPS can also leverage FTP and/or cost allocation rates developed in the Axiom Financial Institutions Suite, or from a third-party source.
- **Leverage a rolling 12-month view of profitability** – Understand both the current and historical profitability for each account, customer, and relationship based on a matched-term FTP calculation of net interest margin (NIM), non-interest income and expense, provision for loan loss, and capital.
- **Inform business decisions** – Leverage a standardized set of analytical dashboards to monitor profitability contribution snapshots and trends – for the entire portfolio, top and bottom deciles, individual relationship managers, and even specific relationships. Measure the current and forecasted profitability of the relationship, balancing customer needs with expected contribution.
- **Incent Profitable Growth** – Evaluate and compensate relationship managers based on the profitability of their portfolios.

## Relationship Pricing

The relationship pricing feature of Axiom RPPS helps relationship managers price new business based on the current and forecasted profitability of the relationship, balancing customer needs with expected contribution. Benefits include:

- **Accurately price business on the front line** – Price new business based on the empirical profitability of the relationship, including the current contribution and forecasted revenue, to ensure that profitability hurdle rates (e.g., RAROC) are met.
- **Evaluate pricing flexibility on new originations** – Quickly view the overall profitability impact incurred by adding new loan products, omitting any current loan or deposit, changing rates or fees, adding deposits, or making other pricing changes.
- **Understand long-term impact** – Leverage accurate pricing information to more effectively manage risk-adjusted contribution and net contribution over time.

## Key capabilities of the solution include the ability to:

- **Comply with hurdle rates** – Price new business in compliance with established internal hurdle rates.
- **Build scenarios** – Save and view pricing scenarios side by side for easy comparison.
- **Streamline credit proposals** – Select the best pricing scenario to support the relationship and optimize profitability, and submit proposals to the loan committee with supporting metrics.

To learn more about [Axiom Relationship Profitability and Pricing System](#), visit our [website](#) or request a [demo](#).