

Case Analysis – MGMT 4842 - 001

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1. Organizational Mission and Vision

Equifax states in its mission that it *“empowers businesses and consumers with information they can trust.”* (Equifax, Inc. 2010) This sentence gives a broad definition of who their customers are. Customers are not limited to businesses, but include individuals as well. They also state that they are *“A global leader in information solutions...”* (Equifax, Inc. 2010) which defines them as being a competitor in the global market and provides us with insight on the spectrum of their market area. They also state that they *“...leverage one of the largest sources of consumer and commercial data, along with advanced analytics and proprietary technology, to create customized insights that enrich both the performance of businesses and the lives of consumers.”* (Equifax, Inc. 2010) This is broad and ambiguous statement about the business practices that they actually perform. They most-likely define what they do with a broad statement due to the fact that they compete in various market segments and their markets are in a fast paced and changing environment.

The Vision of Equifax is *“To be the trusted provider of information solutions that empower our customers to make critical decisions with great confidence.”* (Equifax Inc. 2007) This Vision Statement is ambiguous in defining what the vision of the company is. It fails to provide any clear insight on what the company wants to do in the future. It also fails to provide a timeline or milestone in accomplishing the vision. This statement also fails to define a method to accomplish the vision of the company.

2. Corporate Objectives

2.1. Financial Objectives

2.1.1. In the investor day presentation Equifax projected revenues between \$2.4 Billion and \$2.6 Billion this was projected from their 2007 revenues. This will provide a growth rate between 8% and 11% over a 3 year period. (Equifax, Inc. 2009)

2.1.2. They are also projecting high operating margins between 27% and 28% providing promising fundamentals for investors. The entrance of new geographic areas as well as the introduction of new products will contribute to accomplishing this objective. (Equifax, Inc. 2009)

2.1.3. Equifax is projecting cash EPS to be between \$3.20 and \$3.40. This is an expected 11% to 14% growth over a three year period. This will be accomplished by a greater integration with TALX and revenue synergies. (Equifax, Inc. 2009)

2.2. Strategic Objectives

2.2.1. Increase records for the work numbers. This includes increasing record numbers through penetrating the mid-markets, increase coverage and grow verification revenue through Find-It, as well as provide market complementary services to key targets. This is an objective that directly relates to TALX database and collection of data and will be accomplished by adding 1 million new records a month to the 159 million records already in existence. (Equifax, Inc. 2009)

2.2.2. Expand tax management services. The expansion of the tax management services will provide increased sales by penetrating the in-house market and providing a greater

presence within the local city and state tax credit services. This will provide Equifax with an increased share-of-wallet.(Equifax, Inc. 2009)

2.2.3. Leverage talent assessment capabilities. This will allow for the expansion of hiring and on-board services. It will also increase penetration into the private sector providing a reduction of dependency on government agencies. (Equifax, Inc. 2009)

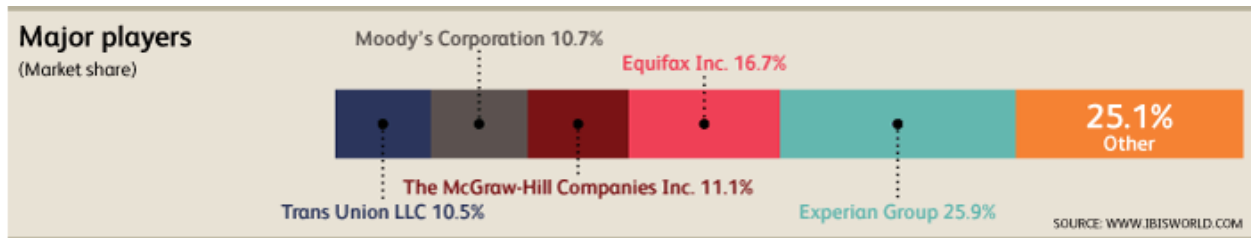
3. Competitive Analysis

3.1. New Entrants – The threat of new entrants is a weak competitive force due to the higher cost of entrance into this market as well as the proprietary processes and programs that allow this company to be competitively successful . There is also a steep learning curve in this market segment due to the fast paced and changing environment. This is largely attributed to the high involvement of technology in the business processes. The company's best defense in this threat is its ability to maintain and expand upon the data they have collected. It would be very hard for a company to catch up with the amount of data that Equifax possesses.

3.2. Substitutes – The threat of substitutes in this industry is low due to the specific nature of the industry in which Equifax competes. It is very difficult for a company in a similar industry to steal market share from this industry. One aspect that affects this is the proprietary nature of the data need and the technology needed to manipulate this data into useful information that best fits the needs of the customer.

3.3. Rivals – The threat of rivals within the industry is high due to the competitive and fast paced nature of the industry. Equifax annual report list 16 top competitors, the closes competitor being Experian. (MarketLine) Experian contains 25.9% of the market share where Equifax contains only 16.7% in the CREDIT BUREAUS & RATING AGENCIES IN THE US industry.

(IBISWorld) This is just one industry that these companies compete in, but demonstrates the close competition in which these companies compete in.



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3.4. Suppliers – The threat of suppliers is low due to the fact that Equifax does not have any suppliers that affect their core competencies. Suppliers to Equifax would be more of technology hardware and items of that nature. Because Equifax deals more with intangible products such as information, they are not affected much by their suppliers.

3.5. Customers / Buyers – The threat of customers is higher due to the competitive nature of the industry. Also, they provide services not only to individuals, but also large corporations. This provides the larger corporate customers with strength within the industry.

4. Driving Forces

4.1. Changes in the long-term industry growth rate – According to the IBIS Report, the CREDIT BUREAUS & RATING AGENCIES IN THE US industry is in the maturity stage. With the industry being in this stage we could see a decline in the growth-rate which would make it a less favorable market to be in. (IBISWorld)

4.2. Increasing globalization – Local firms such as Equifax are now competing on a global scale, although a good portion of them have not established themselves well in the global market at this point. (MarketLine)

- 4.3. Emerging new Internet capabilities and applications – The competitors in this industry rely heavily on the internet so new internet capabilities has a significant impact on the industry. Competitors in this industry can benefit in being a first mover in this area to give themselves an advantage.
- 4.4. Product innovation – This is a significant driving force that can be vital to a companies survival. Equifax released over 60 new products last year. This provides a favorable market for those companies specializing in innovation.
- 4.5. Technological Change – The roll of data in our society has increased at an exponential rate. This provides endless opportunities and creates a favorable market position for companies with the means and abilities to capture this data and use it to provide useful information to customers. (MarketLine)
- 4.6. Regulatory influences and government policy changes - FACTA (The Fair and Accurate Credit Transaction Act) may affect profits for companies in this industry due to the increased cost to comply with this regulation.(MarketLine)

5. Industry Key Success Factor

IBIS identifies ten key success factors for the Credit Bureaus and Rating Agencies in the US which is one of the main industries that Equifax is a participant in. These KSF's include: ability to manage external (outsourcing) contracts, development of new products, level of security provided/used, undertaking technical research and development, access to high quality inputs, must comply with government regulations, accessibility to consumers/users, having a good reputation, access to highly skilled workforce, and protection of intellectual property / copyrighting of output. This is based out of a list of 250 different KSF's that IBIS identifies for a business.

Ability to manage external (outsourcing) contracts - As a third party service provider, credit bureaus must have systems and routines for the management of external contracts.

Development of new products - By developing new products, firms are able to secure repeat customers and provide additional options to the standard credit reports, such as quality fraud protection, credit scores, employee screens and more.

Level of security provided/used - Consumer protection laws require a high level of security to prevent unauthorized access to databases.

Undertaking technical research and development - In order to add further value to compiled information, industry participants are often required to undertake further analysis.

Access to high quality inputs - Industry participants are exposed to costs associated with errors in credit reports. Due to the regulation in place for consumer protection, such errors can become costly.

Must comply with government regulations - Industry participants are subjected to stringent federal and state legislation.

Accessibility to consumers/users - Sales and distribution platforms must be in place to reach consumers. Requirements for immediate delivery are web-based platforms for client access.

Having a good reputation - Credit rating agencies are only effective if they have a reputation of providing fair, unbiased ratings because investors rely on these scores to determine portfolio risks.

Access to highly skilled workforce - Industry participants need access to analytical and accurate staff members.

Protection of intellectual property / copyrighting of output - Successful participants hold a number of trademarks, trade secrets and proprietary technology. It is essential that credit bureaus protect such intellectual property.(IBISWorld)

6. External Analysis

6.1. Opportunities

Equifax expansion into adjacent markets is expected to increase revenues as well as add value to the company. This expansion will provide them with access to various demographic and geographic areas including countries such as Russia, India, China and Mexico.

New geographic markets are expected to be an important source of long-term growth for Equifax. The company has targeted four countries - India, Russia, Mexico and China - whose demographic and economic profiles point to opportunities for growth in both consumer and commercial information-based businesses. In 2008, Equifax reached a preliminary understanding with CRISIL Limited and Tata Capital Limited to jointly develop plans to create a credit information company in India. In March 2010, Equifax's joint venture in India, Equifax Credit Information Services (ECIS), was awarded a license by the Reserve Bank of India (RBI) to operate a credit information company in India. Subsequently in September 2010, Equifax launched its depth credit information solutions in India.

In 2008, Equifax acquired a 28% equity stake in Global Payments Credit Services, a leading credit information company in Russia, from Global Payments Europe, a subsidiary of Global Payments.

These expansion opportunities are expected to help drive the long-term growth and strong financial performance of Equifax. (MarketLine)

Recently Equifax has acquired companies that will give it key access to adjacent markets increasing its customer base while differentiating the company across various markets. The most significant was the acquisition of TALX followed by IXI and Rapid Reporting Verification. Due to the shared customer base

between TALX and Equifax as well as the two companies being in a similar market segment, it has provided them with the ability to accomplish cross sales.

Equifax has made various acquisitions in recent times strengthening its offerings. In 2007, it acquired TALX, a leading provider of employment verification and other workforce solutions. The core asset of the TALX business is The Work Number consumer employment and income database which has over 142 million employment records. By acquiring TALX, Equifax has expanded into a high-growth market that depends on unique information solutions. More over, many of TALX's customers are Equifax customers. So Equifax has opportunities for cross sell. TALX enormous collection of consumer and small business information makes it nearly impossible for new consumer information companies to enter the industry. In October 2009, the company acquired IXI, a McLean-based provider of data collection and analysis services, for \$124 million. IXI's unique capabilities combined with Equifax's expertise will allow the companies to offer more differentiated and in-depth income, wealth and other data, helping companies improve their marketing, collections, portfolio monitoring and customer management efforts across all product segments. IXI's data, sourced through more than 95 leading banks, brokerage firms and other financial entities, is the most comprehensive database of invested and deposited consumer wealth in the US. IXI directly measures data on more than \$10 trillion in the US consumer assets and investments, representing more than 42% of all US consumer invested assets. IXI's unique offerings combined with Equifax's expertise will allow the company to offer more differentiated and in-depth income, wealth and other data, helping companies improve their marketing, collections, portfolio monitoring and customer management efforts across all product segments.

In November 2009, Equifax acquired Rapid Reporting Verification, a Fort Worth-based developer of income, identity and employment verification software, for \$72.5 million. The addition of Rapid Reporting will enhance Equifax's ability to provide lenders with improved products, quality and services for fraud control.

Equifax's investments in unique datasets through its acquisitions expected to provide the company with significant competitive advantage over its peers.(MarketLine)

The increasing growth of data in our society has provided Equifax with endless opportunities in product development. With this growth of data, Equifax has been able to expand its product line year after year to provide customers with the tools they need to manage this data.

The combination of demographic shifts and lifestyle changes, the proliferation of new products and services, and the evolution of multiple marketing channels have made the information management process increasingly complex. Marketing channels now include cable and satellite television, telemarketing, direct mail, direct response, in-store point-of-sale, on-line services and the internet. The multiplicity of these marketing channels creates ever-increasing volumes of data and has compounded the growth and complexity of managing data. This provides Equifax with an opportunity to win a greater share-of-wallet, by launching new products. For instance, during 2009, Equifax introduced more than 65 new products, compared to 64 in 2008 and 50 in 2007. Further, the company generated \$134 million in revenues from products introduced during 2006-08.(MarketLine)

6.2. Threats

Equifax is not significantly established in certain markets that it has entered recently. As consolidation occurs in these markets, it places Equifax at a greater disadvantage in these market segments. This is not a threat concerning competition but concerning the market share it possesses in certain market segments. The employment and income verification market is one in which Equifax does not have a strong market share and is an area of concern due to the major companies in this market segment providing this service in-house.

Equifax operates in a number of geographic, product and service markets, which are highly competitive. The information services products primarily compete with the products of two global consumer credit reporting companies, Experian and TransUnion, which offer a range of consumer credit reporting products that are similar to the products Equifax offers. Experian and Dun & Bradstreet are the major competitors for the commercial services products. The marketing services products also compete with these companies and others who offer demographic information products and services, including Acxiom, Harte-Hanks, and InfoUSA. The company's commercial solutions products compete with Experian and The Dun & Bradstreet.

In the employment and income verification services market, the company competes with large employers who serve their own needs through in-house systems to manage verification as well as regional online verification companies, such as Verify Jobs and First Advantage. Competition for complementary TWN Services includes payroll processors such as Automatic Data Processing (ADP), Paychex and Ceridian. Equifax's competitors in tax management services include in-house management of this function primarily by large employers; ADP; and a number of smaller regional firms that offer tax management services, including Barnett Associates, Thomas & Thorngren and UC Advantage. Its talent management services competitors include assessment service providers that offer proprietary content, including Previsor, Development Dimensions International, and Brainbench; human resources consulting firms such as AON, Towers Watson and Right Management Consulting; and assessment or test publishers that have proprietary delivery platforms such as Devine Group, Hogan Assessments Systems and SHL Group.

Competition is intensifying as Equifax peer group is actively engaging in acquisitions. For instance, Experian and Acxiom have acquired significant stakes in businesses in recent times. For example, Acxiom entered into an agreement for the acquisition of a controlling interest in GoDigital, a data quality and precision marketing company in Brazil during September 2010, and Experian acquired its US rival, Mighty Net, for \$207.5 million in September 2010.(MarketLine)

FACTA (The Fair and Accurate Credit Transaction Act) is expected to affect demands as well as the cost to comply with this act. Although this law went into affect in 2003 we have not yet seen the full affects it will have on this industry. Compliance with this act will not only increase cost but Equifax will also be required to provide certain services for free or at a specific cost as defined by the Federal Trade Commission.

The Fair and Accurate Credit Transactions Act (FACTA) of 2003, which amended the Fair Credit Reporting Act, became law in December 2003. This legislation, among other things, requires Equifax, on an annual basis, to provide free credit reports to consumers upon request. These reports may be requested by internet, telephone, or mail through centralized request facilities. In addition, consumers will be entitled to a free credit report upon request if a report results in the consumer obtaining credit terms less favorable than those provided to a majority of the credit provider's customers. FACTA will also require Equifax to provide credit scores on an annual basis to requesting consumers for a reasonable fee, as determined by the Federal Trade Commission (FTC). Additional provisions of FACTA impose requirements designed to reduce consumer identity theft, limit provision of medical information, and require reports to the FTC regarding consumer complaints. Compliance with FACTA could result in additional expenses that could have an adverse effect on the company's financial condition. Moreover, stricter privacy laws may restrict the information that credit bureaus are allowed to collect and/or disseminate with regards to individuals, which will reduce the demand for Equifax's services. (MarketLine)

Over the past few years we have seen a trend of consolidation among the industries that Equifax is competing in. This trend will drive prices down as well as increase the competition in these markets which could affect market shares and revenues.

The financial services, mortgage, retail and telecommunications industries are intensely competitive and have experienced increasing consolidation in recent times. The consolidation trends in these industries result in lower average prices demanded by the larger combined entities, lower combined purchases of the company's services, or may shift the combined business on to a competitor's offering. Consolidation in the financial services, mortgage, retail, telecommunications and other markets may affect the company's revenues and market share. (MarketLine)

7. Internal Analysis

7.1. Strength

Equifax possesses market leadership in certain demographic and geographic market segments extending into four different global regions. They are also a leader in key product development producing more than 60 new products latest year and have seen a growth in the number of products produced over the last three years allowing them to provide products to a more diverse customer base.

Equifax is considered one of the three largest credit reporting agencies in the US along with Experian and TransUnion. The company's global foot print extends in four global regions: North America (US and Canada), Europe (the UK, Spain and Portugal), Latin America and Asia (India). It has a large and diversified group of clients and customers, including financial institutions, corporations, governments and individuals. Additionally, the company is also a leading provider of payroll-related and human resources business process outsourcing services in the US. The company's leadership in key products and key geographic markets enables it sustain recurring revenue streams. (MarketLine)

Equifax has consistently been recognized for their operation excellence. This recognition among various sources establishes them as an industry leader. One example of such recognition is the company being listed in the InformationWeek500.

Equifax is one of the global leaders in information solutions. The company's leadership is consistently recognized by the industry trackers. For instance, in September 2010, the company was listed on the 2010 InformationWeek 500, a list of the nation's most innovative users of business technology, for the ninth consecutive year. In addition, Equifax was named a finalist in the banking and financial services category. Equifax was the only information solution company included in this roster of leading financial services businesses and also ranked in the top 100 of the InformationWeek 500. (MarketLine)

Equifax reports have shown higher market shares in comparison to other major competitors. Being defined as a strong market leader provides the company with the bases to expand into other market segments as well as dominate their current market segments.

Equifax has strong margins compared to its major competitors. Equifax reported operating and net profit margins of 22.3% and 12.8%, respectively, in FY2009. By contrast, the company's major competitor, Experian, reported operating and net profit margins of 17.9% and 15.5%, respectively, in the financial year ended March 2010, while another competitor, Acxiom reported operating and net profit margins of 9% and 4.1%, respectively, in the financial year ended March 2010. Experian's high net profit margin in FY2010 was due to lower tax owing to deferred tax credit.

Despite a slight decline in margins in recent years, the company continues to have higher margins than its competitors. The decline in margins in recent year was due to lower sales in USCIS, international and North America personal solutions segments owing to global economic weakness and restructuring charges. (MarketLine)

7.2. Weaknesses

Equifax lacks a strong market share in certain market segments that its competitors are well established in and possess a strong market share in these areas.

Another weakness is their lack of competitive edge over their competition in certain market segments such as consumer lists and database markets. This is an area that Experian has a much higher market share and competitive edge over Equifax.

Equifax has low market shares in certain product categories while some of its competitors hold strong market position in those categories. For instance, in the online and mortgage market, which is categorized into consumer credit, credit marketing, consumer lists, and database marketing, Equifax and Experian (a strong competitor for Equifax) hold fair

market shares in consumer credit, and credit marketing. However, Equifax has a very low market share in consumer lists, and database marketing while Experian holds significant market share in consumer lists, and database marketing segments as well. Equifax's weak presence in consumer lists, and database marketing segments enables Experian have a competitive edge as a comprehensive solution for total online and mortgage market.(MarketLine)

8. Competitive Strategy

I believe the competitive strategy that Equifax best fits in is a broad differentiation strategy. The reason for choosing this strategy is due to the ability of Equifax to provide specialized services to its customers and the cross functions it can provide through its affiliate companies. Also, each company in this industry provides services in multiple markets allowing it to customize services for its customers. It is broad because it provides services to a wide spectrum of customers ranging from individuals to fortune 500 companies.

9. Financial Analysis

9.1. Gross Margin % (Mergent)

Company Name	Gross Margin % - 2009	Gross Margin % - 2008	Gross Margin % - 2007
Computer Sciences Corp.	20.78	20.29	20.45
Equifax, Inc.	57.92	59.77	59.20

The Gross Margin % is the revenue minus cost of goods sold divided by the revenue. This represents the percentage of what the company retains after the cost of goods sold.

This data shows that Equifax, Inc retains more of its earnings after cost of goods sold than its top competitor does.

9.2. Net Current Asset % TA (Mergent)

Company Name	Net Current Assets % TA - 2009	Net Current Assets % TA - 2008	Net Current Assets % TA - 2007
Computer Sciences Corp.	23.63	8.45	10.54
Equifax, Inc.	(2.12)	1.10	(3.46)

Net current assets represent the percentage of current assets minus current liabilities. This is an indicator if how much capital is being saved or used in day to day operations.

As you can see Equifax, Inc has some negatives, this indicates that it is using some of its capital to fund day to day operations.

9.3. ROI % (Mergent)

Company Name	ROI % (Operating) - 2009	ROI % (Operating) - 2008	ROI % (Operating) - 2007
Computer Sciences Corp.	12.56	14.42	13.46
Equifax, Inc.	15.36	17.90	23.55

ROI or Return on Investment is the gain from investment minus the cost of investment divided by cost of investment. This is a good indicator of the benefit one is receiving from their investment.

As you can see in the data, Equifax, Inc ROI is fairly high in comparison to its top competitor. This is a good indicator that it is receiving a better benefit from its investments.

9.4. Total Asset Turnover (Mergent)

Company Name	Total Asset Turnover - 2009	Total Asset Turnover - 2008	Total Asset Turnover - 2007
Computer Sciences Corp.	1.05	1.12	1.12
Equifax, Inc.	0.54	0.57	0.69

Total Asset Turnover is the amount of sales that comes from each dollars worth of assets and is found by dividing the revenue by the assets.

The data shows that Computer Sciences Corp. is performing better in turning its assets into revenue.

9.5. ROA % (Mergent)

Company Name	ROA % (Net) - 2009	ROA % (Net) - 2008	ROA % (Net) - 2007
Computer Sciences Corp.	6.99	3.70	2.92
Equifax, Inc.	6.87	8.02	10.26

ROA or Return on Assets is found by dividing the net income by the total assets. This provides us with some indication on how a company is performing with its profits in light of the amount of assets it possesses.

As we can see in the data, in 2009 the two competitors were fairly close while in the two years previous, Equifax, Inc performed much better.

10. Strategic Issues

10.1. The first strategic issue that should be addressed by management is their lack of market share in their core industry. Experian is well ahead of them with nearly a 10% market share gain on Equifax.

Equifax possesses market leadership in certain demographic and geographic market segments. They should build upon these leadership strengths and capitalize on the benefits this provides to establish a more prestigious brand name.

Equifax should combine efforts with their affiliated companies to provide customized service packages for customers in their core industry. This will encourage customers to choose their company because of the added value they can provide over their competitors.

10.2. The second strategic issue that should be addressed is the lack of strength in the global market. Although Equifax is competing in the global market, it only counts for approximately 25% of their annual revenues. The majority of their revenues still come from the domestic market.

Equifax has established their company in the US markets, now they must build upon this expertise and put it to work in the global market.

Although their Industry may be considered to be in the mature stage here, it has not reached that stage in developing countries which provides Equifax with the unique opportunity to gain access to markets in the growth stage with expertise they already possess.

10.3. The third strategic issue is the loss of customers due to consolidation within the industry. Since the recession we have seen consolidation of firms as well as resources. This decreases revenues and can also affect market shares.

A strategic approach to this issue is diversifying their market segments. This will also provide them with a better balanced revenue from year to year. It is also important to diversify due to the industry being in a mature stage and possible reduction in revenue in the future.

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