The business landscape 2017/18

An Experian research report

Contents.

It really is a data powered future.

The flood of digital data is revolutionising businesses and decision-making.

The transformation toward a data-driven world offers business leaders opportunities in nearly every sector. The role of data analytics represents a shift from informed to more reliable customer insights.

Data analytics will help organisations better understand their customers, increase sales, minimise fraud, make more informed decisions and improve business processes like never before.
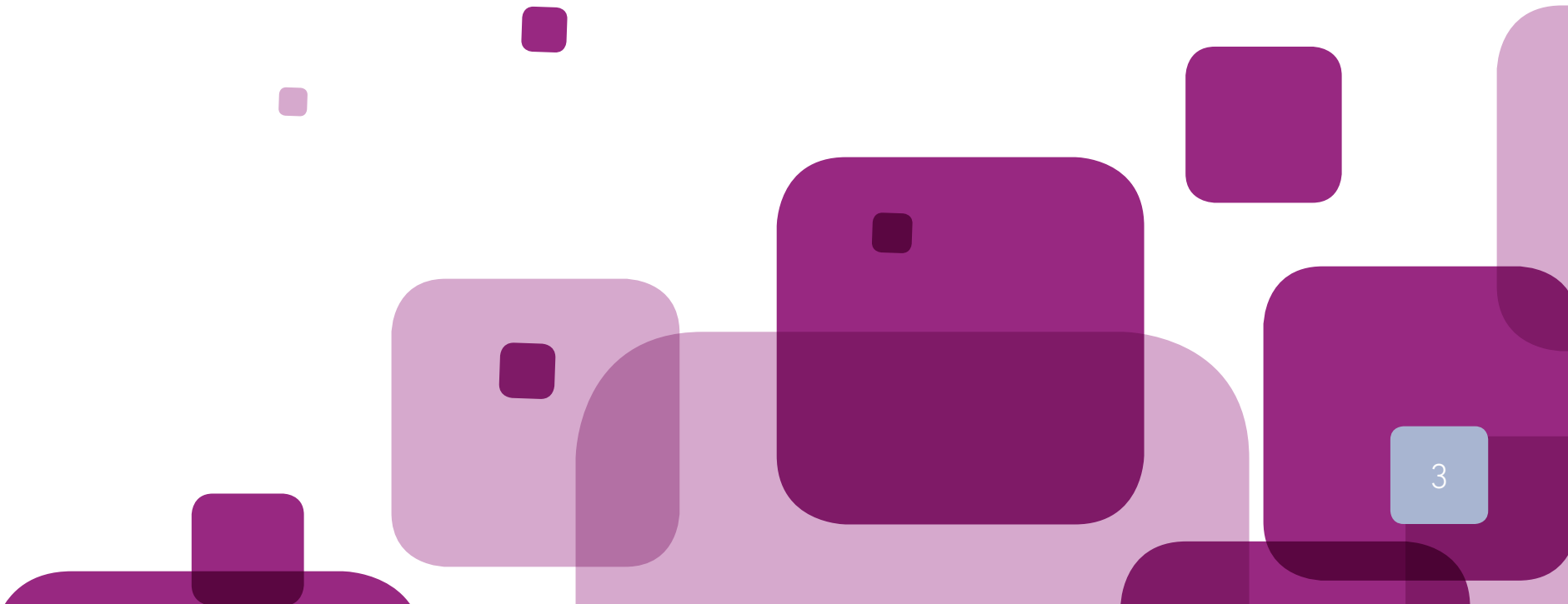
The business landscape is changing rapidly.

The research we have done with Forrester shows us that things are changing very, very fast.

As you read through the results you will no doubt see some areas that directly relate to your own business.

You will also see some common themes throughout the results.

The focus that everybody has on the customer is a hugely important trend. I believe the reason it comes out so strong in the analysis is everyone's realisation that business models are changing very quickly. As a result, focusing on the customer is the only way businesses can ensure success.

There are very few businesses that don't believe they are going to have to make some fundamental changes in order to compete for the right to have a relationship with customers over the next couple of years.

Competition is coming from different places and having good data management and understanding of your customer will be critical.

It is a data insight environment. This is why we are very keen to help, because we believe we have got some great capabilities that can directly support. The thing we need to think about here is that data and insight are the oil of this next competitive landscape because the people and the businesses with the best insight on their customers will win.

Charles Butterworth

Charles Butterworth
Managing Director
Experian, UK&I and EMEA

Top priorities:

1 **82% plan to invest** in growth through customer acquisition.

2 **Big data** and **advanced analytics** are a key priority

3 Pressure of regulation and compliance has **increased in priority by nearly 10%**

4 Fraud is a **top priority** – and growing

5 More than half of businesses have seen an increasing **cost to retain** and serve existing customers

6 83% of businesses state they need to **improve their cost efficiencies**, with nearly half seeing more customer churn

7 Most (73%) agree that **traditional business models will disappear** in the next 5 years as a result of the digital revolution

8 More than half of businesses want to **better differentiate their products** and services from competitors

<80%
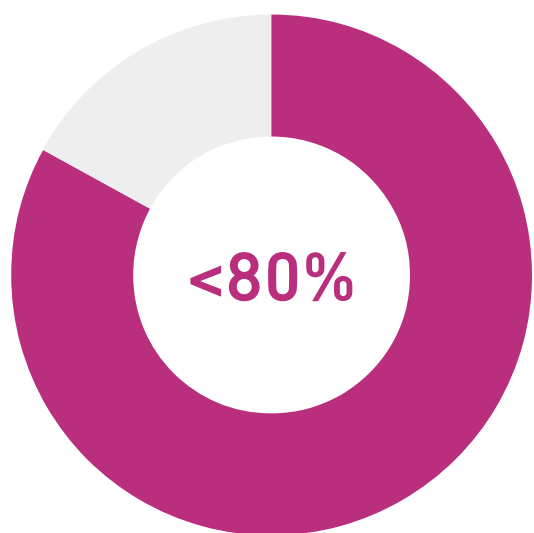
believe improving customer experience and fraud mitigation is a priority

<70%
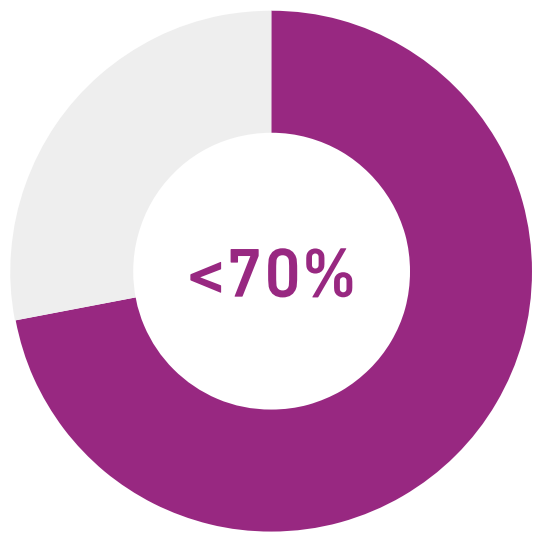
are likely to invest in advanced analytics and big data technology. They also agree that traditional business will disappear

Compliance pressure has increased across businesses

2016 69%
2017 77%

Data analytics.

Data is growing and analytics are becoming even more important.

As new data is introduced and generated, and old data remains in the bottom of company data systems, the need to understand it and manage it becomes ever more important.

How this is done is more and more often through the use of analytics.

Data analytics examines large amounts of data to uncover hidden insight, including patterns and correlations. For example, if the data is duplicated. The power of technology and the sophistication of analytics means that businesses can now better understand the data they hold. Therefore, they can better understand their customers. In an instant.
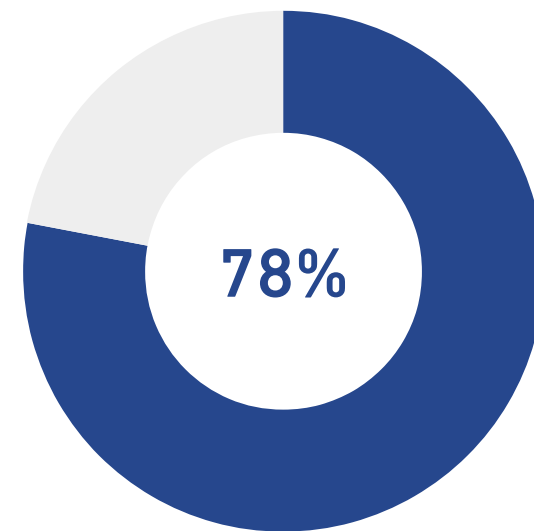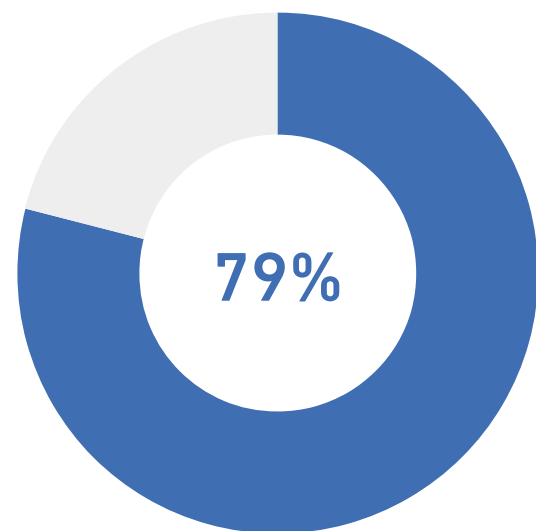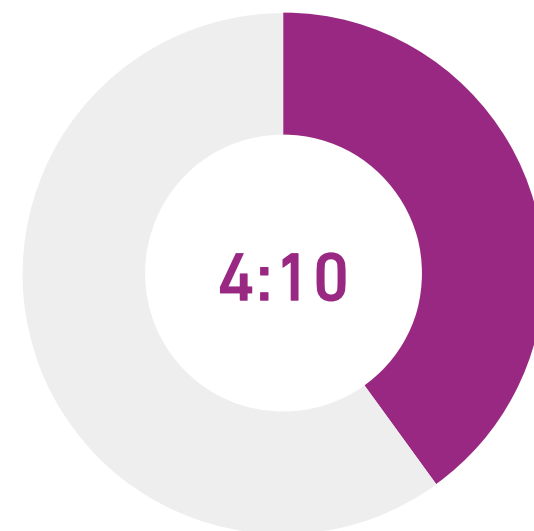
The results.

The situation:

71%
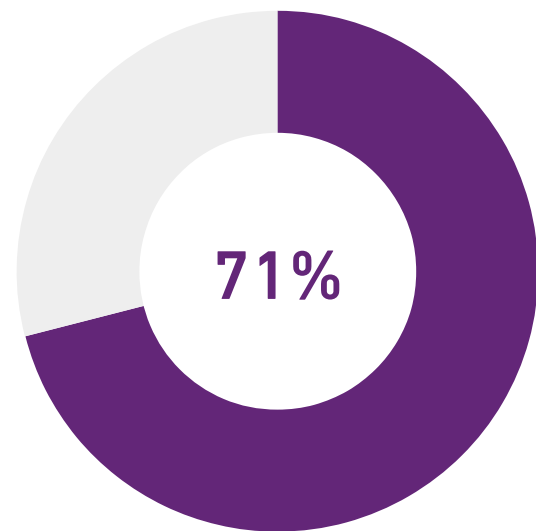
say enhancing analytics capabilities is a top business priority

78%

are expecting to increase or maintain their budgets

79%

of businesses are feeling the pressure to meet compliance with new and existing regulations

4:10

are struggling to cope with the volume and complexity of data

Analytics in practice:

- 40% of businesses **rely on opinion** and gut feeling

- Only 35% said they are able to use **analytics to extract value** from their data set

- Half **aren't able to get relevant insight** from data to drive decision making

- A lot of businesses use **manual reviews** to determine the risk of fraud

- There is a strong belief that the **lack of analytical skills and expertise** is preventing progress in analytics

Data analytics: how can analytics help you?

Analytics capabilities come in many different shapes and sizes. The beauty of analytics is that it is unique. It is a solution that can interpret huge data sets helping to inform you of the best actions.

1. Understand more.

Machine learning means a lot more horsepower. We can operate on much larger datasets using analytics.

2. Assess risk.

Ensuring you make the right lending decisions is important, and to do this analytics can be a great informer. Whether it's for scoring based tasks or to assess, interpret and prevent things like fraud or bad debt.

3. Understand changes.

Understanding how changes in your own lending policies, the external market and regulations may impact your performance can help you prepare and respond. Analytics can provide this analysis.

4. Optimise.

Make sure every decision, every action, every thing you do, is optimal. For example, when and how are you best to contact your customers, and what credit limit or product is best to give them. This is where analytics can really optimise your actions.

5. Outsource.

Having the skills, expertise or budget to undertake the most appropriate, or necessary, analytical tasks is holding half of businesses back. But, outsourcing analytics means businesses can benefit from industry experience and top quality skills instantly.

Regulation and compliance.

Most businesses aren't confident in their current ability to meet regulations.

Only 15% are 'very prepared' for the Second Payment Services Directive (PSD2) and more than half are feeling the financial and resource strain that PSD2 might bring to them. But, more than half believe regulation, specifically PSD2, is an opportunity to deliver better value to customers.

17%
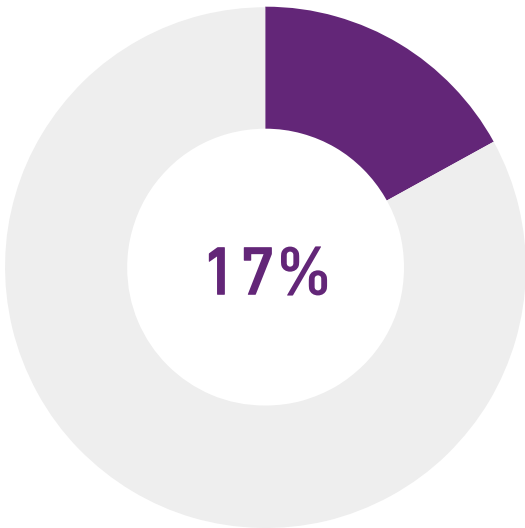
strongly agree they are prepared to meet regulatory requirements

12%
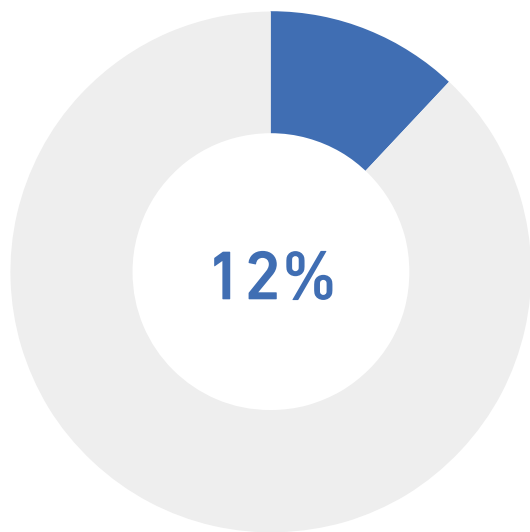
of organisations are prepared for PSD2

8:10
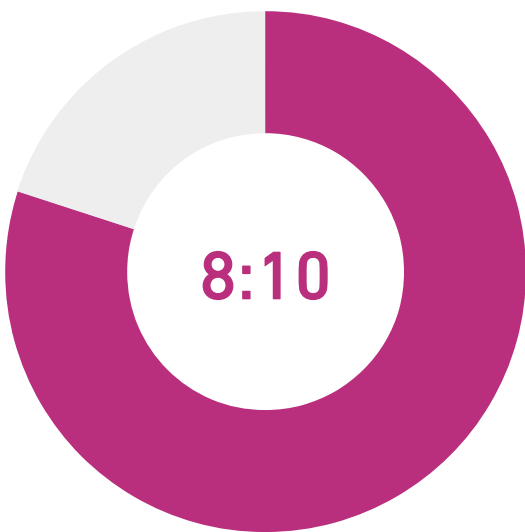
see PSD2 as having a strong impact on payment operations

Fraud.

This year has seen first party fraud increase compared to previous years. The ways in which fraud is occurring is changing. The rise of online, smart technology has opened up new risks.

## But, despite the specifics of the trends – fraud is, and always has been, a challenge.

Fraud prevention and detection now needs to be agile. It needs to be multi-layered. It needs to outsmart technology and respond. Fast. And, it needs to integrate into the customer journey, not hinder it.

In this complex muddle of priorities and focus areas it's not surprising that the vast majority of businesses don't believe they are managing fraud well, or able to fully protect against the omni-channel environment we're now immersed in.
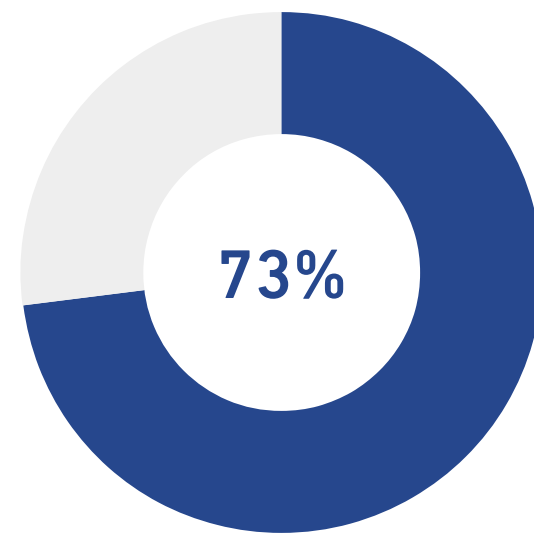
Businesses now need to balance their approach to fraud prevention with the customer journey in mind – ensuring there is no friction for genuine customers.
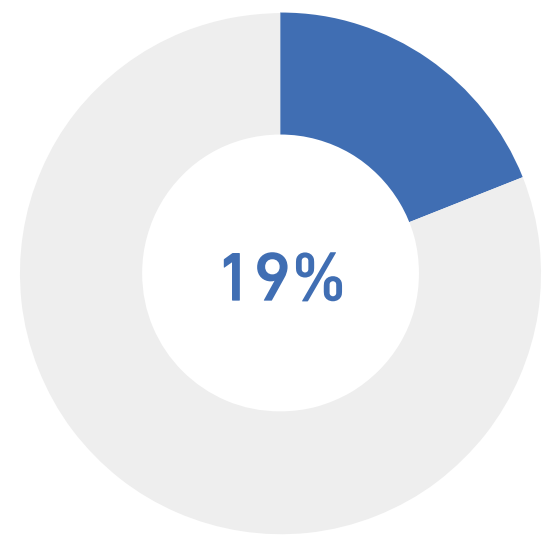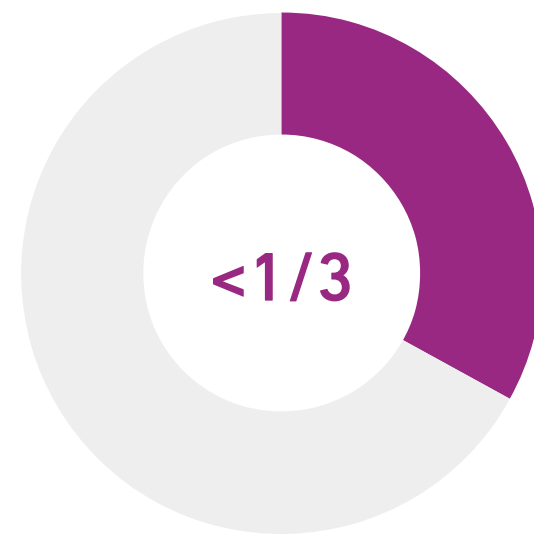
The results.

77%
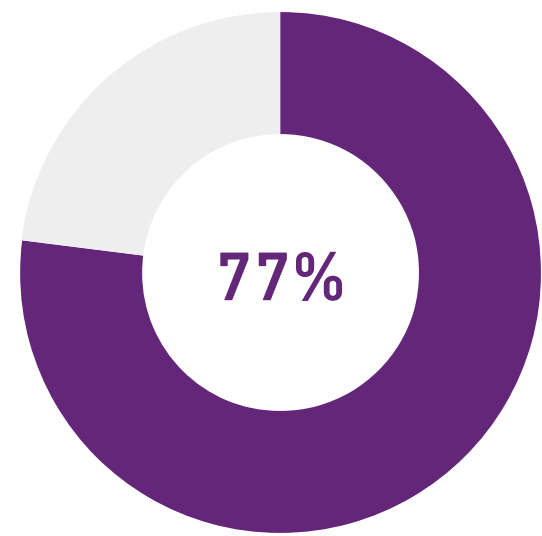
agree they see the business impact of fraud

73%

aren't managing risk well

19%

strongly agree they have a balanced approach to fraud

<1/3

can easily manage the complexity of fraud – including omni -channel fraud

Less than a third:

- Can easily manage the **complexity of fraud**

- Can **tackle fraud across multiple channels**

- Continually **monitor fraud**

- Have **accurate and up-to-date fraud data** sources

- Use **predictive models** to reduce fraud

- **Authenticate customers** without impacting on the customer experience

Fraud costs the UK £190bn in 2016

Preventing fraud is complex. As technology gets more sophisticated so does the fraudster.

Understand a person's device

Are existing customers using the same device as usual, or one that's completely alien? Is one device making multiple applications under different names? Has a device been associated with fraud before? Does the configuration match the personal data?

If you can capture this device intelligence without interrupting the customer journey, you stand a very good chance of filtering out bad transactions and letting the good ones flow through to fulfilment.

Every time a flag is raised for suspected fraud, it costs you and the customers money

So if the fraud engine gets it wrong too often, it's actually going to be a burden on your business, even if it catches all the fraud. Therefore, making sure your false positive ratio is right is important.

The mobile era is paperless, driven by mobile, digital usage

More of us are choosing to manage our interactions with organisations online, but the digital journey is far from perfect. Experian has partnered with **Mitek** to enable customers to verify their ID by capturing a photo of their identity documents on a mobile or tablet. It can also extract ID information from the document captured to pre-populate online forms.

Fraud moves between channels

Omni-channel fraud is becoming more common and, with PSD2, is likely to continue to rise. Therefore having an agile platform that you can build on, connect channels through and update as and when needed, will be even more important.

Manual, lengthy checks aren't going to please your genuine customers and fraudsters will find the weakest channel in order to attack. Agile and API based systems (such as **CrossCore**), can be helpful.

Customer insight.

Customer insight has never been so important

Customer expectation means you have to know more and more about the customer to deliver valuable, personalised interactions. A general need to be more efficient means businesses are looking to standardise data to avoid duplicating any tasks, communications or influencers of risk.

Essentially, a disconnected approach results in substandard experiences.

What has been absolutely clear in the research findings this year, is that customer insight still remains top of the agenda.

The results.

- 77% of businesses say gaining **better customer insights** on their customers is a key priority

- More than half believe they can be more effective with better customer insight. They also struggle with making **consistent decisions across multiple channels**

- Customer **data is mostly split** across multiple systems

- Less than a fifth (19%) **use all the data available** to enhance customer interactions

- Less than a third (31%) **have a strategy in place** to deliver a consistent customer experience across the lifecycle

Originations	43%	Find it easy for a customer to complete a new contract to consume products / services
	36%	Have seamless and fast onboarding of new customers
Customer Management	39%	Have early knowledge of a customer at risk
	39%	Have the ability to identify and monitor new events / changing statuses of a customer
Collections	40%	Can identify customers who are at risk early to preserve the overall relationship.

In order to get the most out of your data you need to:

Pin it

Pining your data together can not only combine data sources but streamline it. You can bring external data, such as bureau data, into the equation which can validate and strengthen it. More importantly, it can be a significant step towards giving you the much needed single customer view.

Read about ExPin

Understand it

Using demographic profiling, credit trends and other sophisticated tools, means you can better understand your data, and the person behind the data, the customer. This can help you determine what the most appropriate needs or terms are for that individual.

Explore Mosaic

Automate it

Decision software and technology can be the upgrade that you've been waiting for. Fuelled by data and informed by you, the platform can process all decisions and customer actions using a mix of analytics, machine learning, automation and optimisation. Put simply, it will process a customer through their journey, optimising every action at every point, based on information it generates.

Watch our video

Value it

Data on its own has no value. It's what you do with it that counts. The above will inevitably bring you value. But what about the customers value? Consent will be a key factor in regulations such as GDPR and also for Open Banking. People hold a lot of personal value on their data and it is your responsibility to deliver value. To demonstrate value and to be of value to them.

Download our white paper
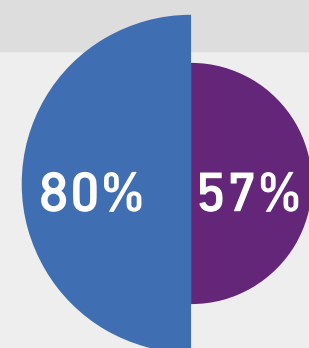
Four key steps to unlock the power of data.

1. Use third party expertise to boost your analytics strategy
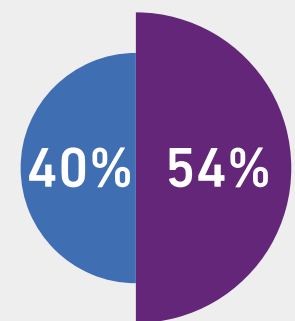
78% **71%**
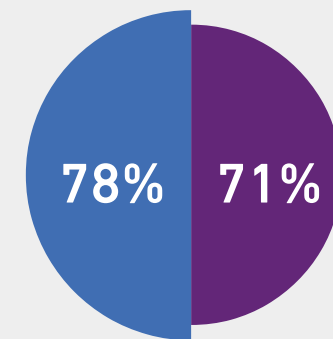
- 🟣 Businesses who are prioritising enhancing analytics
- 🔵 Businesses who are increasing analytics budgets

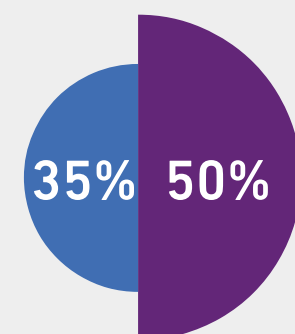## 2. Take a holistic approach to fraud prevention to protect the customer experience

80% **57%**

- 🟣 Fraud mitigation is a top priority for more than half
- 🔵 See PSD2 as having a strong impact on payment operating models

3. Automate your decisions

40% **54%**

- 🟣 54% find it a challenge to make consistent decisions
- 🔵 Businesses rely on gut feeling to make decisions

4. Generate value

35% **50%**

- 🟣 Half are not able to get the relevant insight from data
- 🔵 Only 35% are able to use analytics to extract value from data

During the next year and beyond, we will be looking to bring you the latest resources, insight and assets that can help you understand, respond and develop your business.

How the landscape will evolve will be interesting. Moving forward, trust will be essential.

In the future, the customer is going to be working on the basis that their data, whether offline or online, is used with the right permissions, and that their consent is captured and handled correctly. It shifts the way we need to think about how services are going to be delivered.

Data is going to continue to grow, with the internet and new technology. What's interesting is that the insight seen in the business review is aligned. It suggests a movement towards a trusted, customer centric and sophisticated market place. How we get there will no doubt be interesting.

What does the world we are entering look like? Innovative, complex and customer-led

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topical market messages

FORRESTER®

A commissioned study conducted by
Forrester Consulting on behalf of Experian