

BUSINESS TRENDS BAROMETER

Return to growth
– Identifying priorities for
secure, compliant and
sustained business growth

June 2021





SUMMARY

In this barometer, we present the findings of research conducted throughout the pandemic. We combine analysis into consumer and business trends, and our own data and market analysis to track and understand the trends impacting UK businesses. Against the backdrop of continued economic uncertainty and volatility, and in an environment that is more digitally driven than ever, we hope the insights in this report help you to focus on your growth priorities for the year ahead.



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INTRODUCTION: THE ECONOMIC BACKDROP





THE GREAT DEFERRAL

The pandemic has hit firms of all sizes in different ways, with those that had already implemented robust digital strategies less impacted than those that needed to pivot quickly to digital channels. All businesses have had to react at scale and speed, and many remain cautious about the prospects for the UK economy.

In March 2020, GDP fell by 5.8%, the biggest monthly fall in more than 20 years. Consumer confidence took a battering and new lending and credit applications came to a standstill. This was evidenced in a sharp decline in the Consumer Confidence Index, which was -30 by July 2020 and -33 by October 2020¹. Nevertheless, business delinquency remains very low, thanks to the support offered throughout the pandemic, including furlough schemes, government loan schemes (BBL, CBIL) and emergency payment holidays. That means arrears have remained low, but as support schemes are withdrawn and the credit market lag versus the economy reduces, delinquencies are expected to rise.

A year on from the pandemic outbreak, and GDP has risen to better-than-expected levels. However, it is still 8.7% below pre-pandemic levels². Government measures continue to offer short-term aid and, as lockdown eases and new lending stabilises, businesses are looking for ways to stimulate and sustain growth, and rebuild decision-making and lending confidence.

But it isn't all doom and gloom. In June 2021, the time of writing, all credit products are showing a positive increase in applications and demand for the first month in over a year. We are also seeing positive balances across current accounts, alongside more than 2m UK consumers who present a good, or excellent, credit risk.

The challenge for many lenders is identifying, reaching and attracting these prime customers.



¹ GfK consumer confidence index

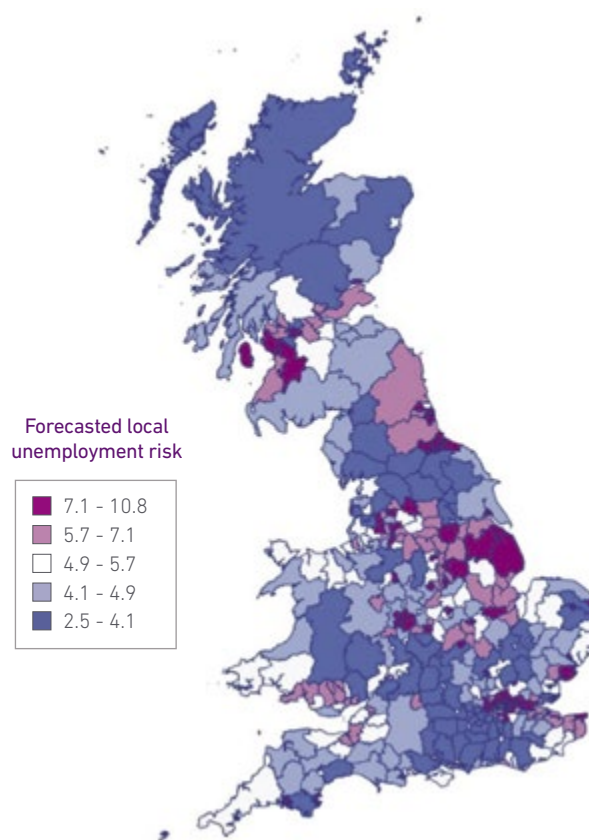
² GDP May 2021, ONS



GDP REMAINS LOWER THAN IN MARCH 2020, BUT **DOUBLE APRIL 2020**, WHICH SAW THE BIGGEST DECLINE ON RECORD

IN APRIL 2020 THERE WAS A DECLINE IN ALL CREDIT PRODUCTS.

This was largely driven by lenders withdrawing products from the market. By June 2021, at the time of writing, we see for the first month in over a year all credit products showing a positive increase in applications and demand.



MAPPING THE UK RECOVERY

Diverging trends to emerge

LABOUR MARKET:

Improvements will be lagging, with London taking until 2025 to get back to the 5% mark.

GVA:

We expect the bounce back in the near term to be led by the South East, helped by pent-up demand, and the North West.

BACK TO PRE-PANDEMIC LEVELS:

East of England and London on pole positions.

Source: Experian's economic regional forecasts. May 2021

There is a large cohort of consumers and businesses who today, present a good or excellent credit risk. With more than 50% of the credit population being dormant for the last year, there is a huge opportunity for lenders to meet their ambition to grow.



WHAT ARE THE TOP PRIORITIES FOR BUSINESSES?

Businesses face many challenges after such a turbulent year, which translate into a number of key priorities.

PROBLEMS 'STILL' FACING OUR CLIENTS

- Deliver stable sustainable growth in a period of economic instability.
- Digitise the customer experience across consumer and commercial.
- Reduce Cost Income Ratio to sub 50%.
- Accurately and consistently deploy affordability and vulnerability measures across channels.



AFFORDABILITY – how do I:

- Know the lending is affordable at the point of application?
- Continuously know what's affordable?
- Know how my customers' affordability will change?



CREDIT QUALITY – how do I:

- Determine if my models are performing?
- Know if my customer is genuine?
- Recalibrate my scores?
- Reduce operational overhead costs through fewer manual checks and fraud investigation?



COLLECTIONS – how do I:

- Identify who is vulnerable?
- Apply early intervention strategies?
- Better support customers through self-serve?
- Know likely future deficiencies?



GROWTH – how do I:

- Be more cost-effective – to accept and convert more, while reducing the need for manual underwriting?
- Find new customers?
- Quickly onboard new customers?
- Grow my existing customer book?
- Enter new markets?
- Know how I compare or what my market opportunity is?



PORTFOLIO RISK – how do I:

- Forecast where my expected credit losses are?
- Where I am over indexed? Or where my concentrations are?
- Know how my portfolio compares?
- Make sure our strategy is right for now?



This all boils down to three core focus areas:



How do I
return to
growth?



How do I grow
new business
with confidence?



How do I
retain that
confidence?

**BUSINESSES NEED TO
FIND WAYS TO GROW WITH
CONFIDENCE, EFFICIENTLY,
AND COMPLIANTLY.**



CHALLENGE AND OPPORTUNITY

Businesses need to focus on growing their customer base as well as growing value from existing customers. To do this, businesses need to have complete confidence in their decision-making tools, as well as instilling confidence among customers in the speed and security of their digital channels.

Businesses have long been keen to digitise the customer experience and improve customer journeys, and the drive to digitise was accelerated during the pandemic. To stay ahead, businesses need to continue refining their analytical and decision-making tools and integrating and accessing new data and insights, alongside fraud management and security measures, so they can onboard more of the right customers, more quickly.

Competition in the market is fierce, and the economic outlook remains volatile and uncertain. So it's more important than ever for businesses to understand their customers, provide the smooth and secure digital experiences they value, and make the best possible decisions to fuel growth and profitability, build confidence and meet regulatory requirements.



How are you building upon this period of digital transformation to drive greater efficiency, confidence and growth for the long term?

In the following sections we explore the challenge and opportunity further. Looking at what firms see as their biggest prohibiter, or catalyst, for growth.



RESEARCH FINDINGS





In this section, we explore five of the key themes emerging from our B2B research undertaken in three waves: June 2020, September 2020 and January 2021. We also bring in some of our most recent qualitative research and market analysis. We highlight the trends, challenges and opportunities for UK businesses as they strive to return to growth, acquire and manage the right customers, and build confidence for the future.

01. BUSINESS PRIORITIES

02. THE CUSTOMER JOURNEY AND AUTHENTICATION

03. CREDIT MANAGEMENT

04. FRAUD MANAGEMENT

05. ANALYTICS

WE SURVEYED BUSINESSES OF DIFFERENT SIZES

270 UK businesses surveyed:



TIER 1

£1B



TIER 2

£50 M – £999 M



TIER 3

£10 M – £49 M



01.

BUSINESS PRIORITIES



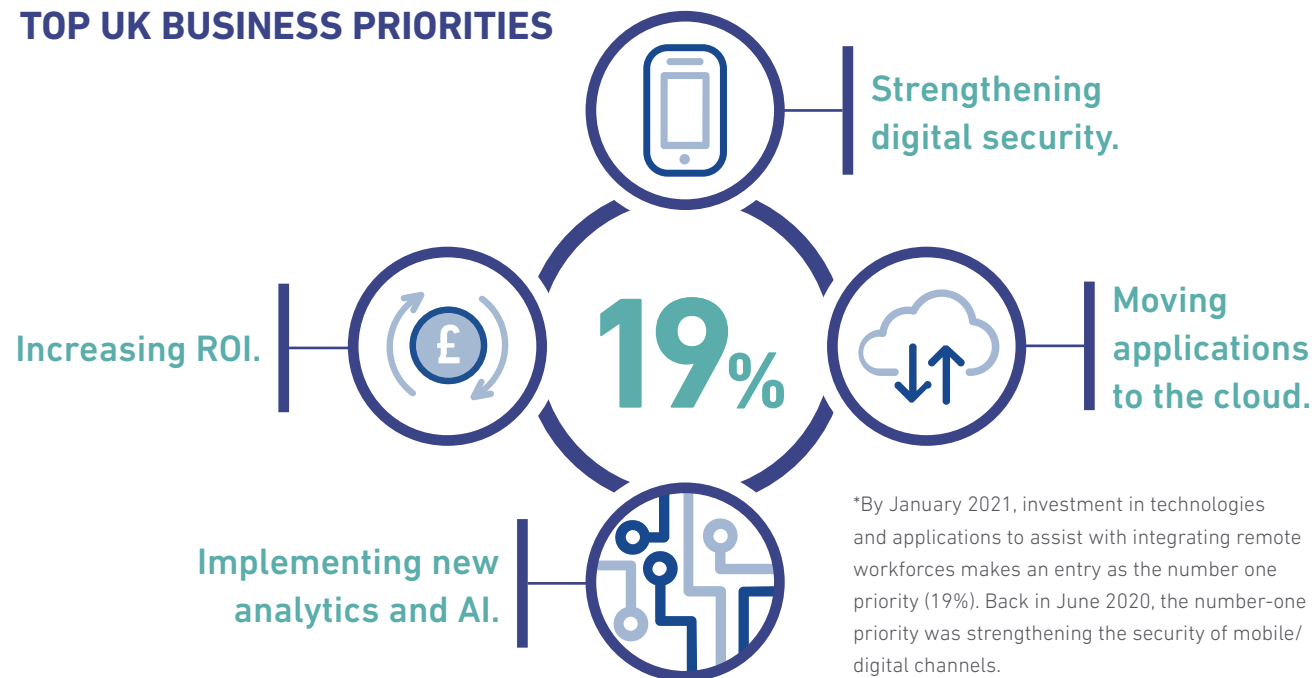


FOCUS ON DIGITAL INVESTMENTS

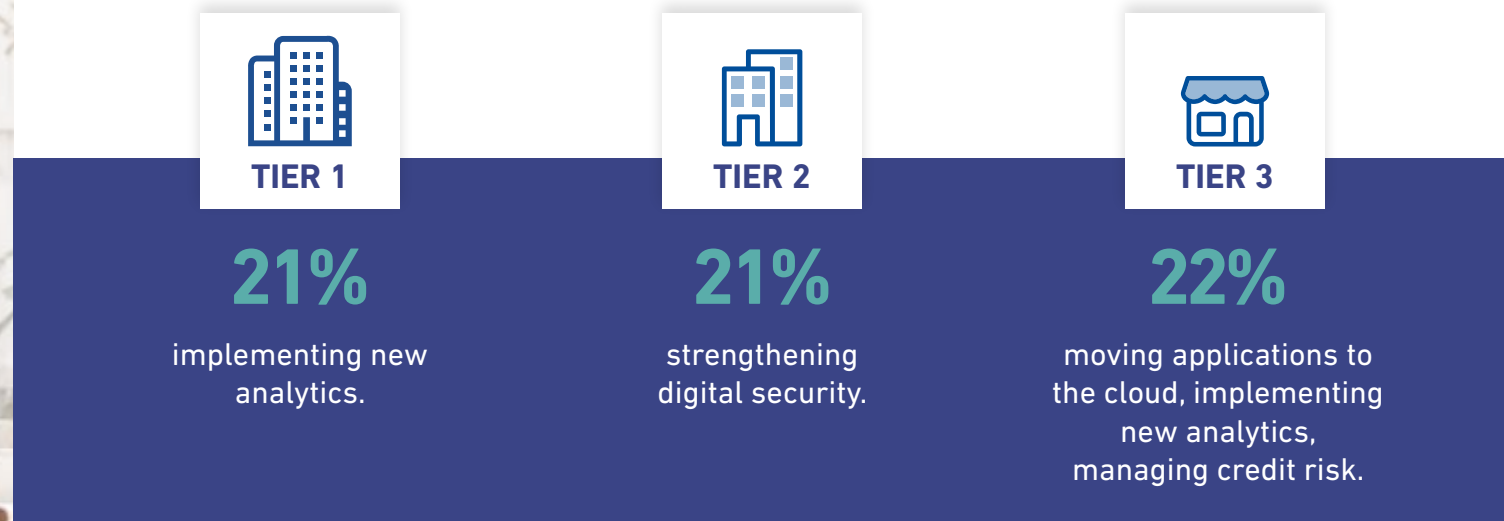
In 2021, UK firms remain committed to allocating financial resources to improving digital customer service. For consumers transacting online, security is the primary concern.



TOP UK BUSINESS PRIORITIES

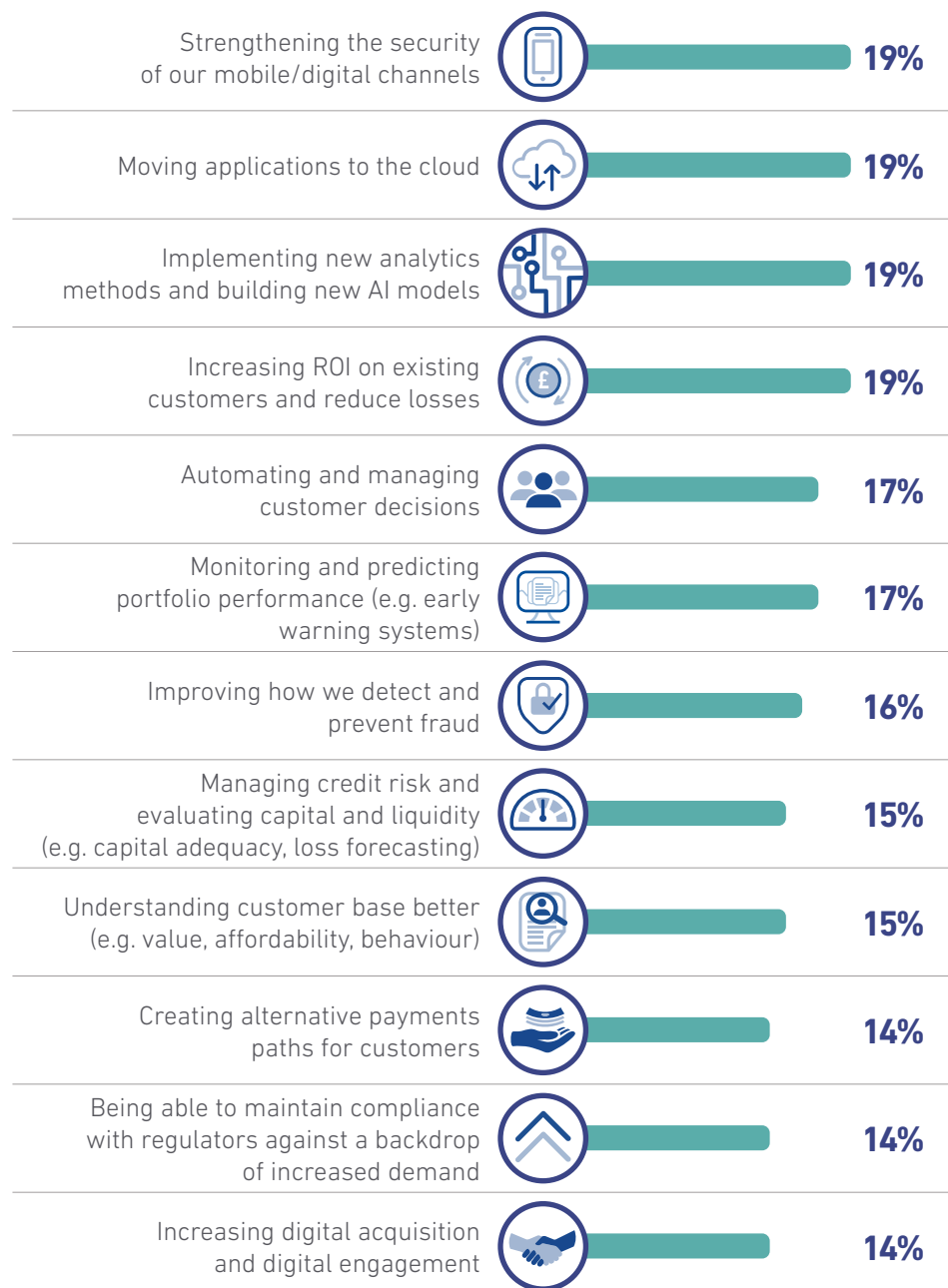


PRIORITIES BY BUSINESS SIZE:



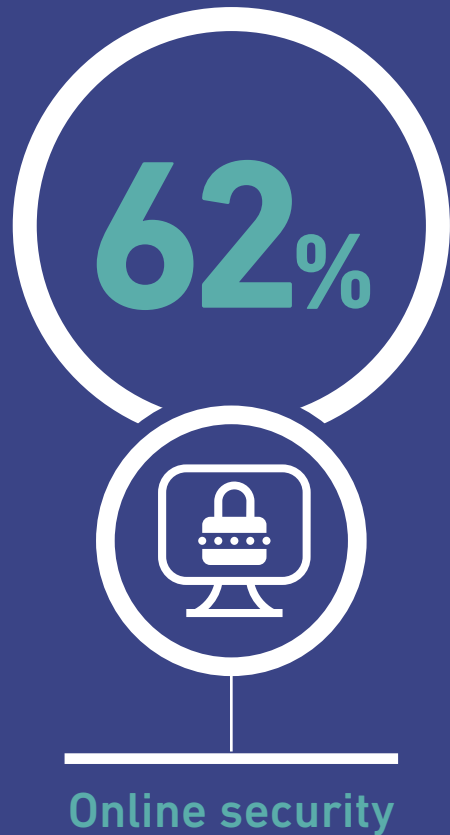


Top investment priorities for UK businesses include:





ONLINE SECURITY IS A TOP CONSUMER CONCERN



BUSINESSES ALIGN WITH CONSUMERS AND SEEK TO STRENGTHEN SECURITY AS A TOP PRIORITY

Strengthening security in mobile and digital channels is a smart move for businesses, since it addresses a primary concern for consumers transacting online. Businesses that successfully secure and streamline their digital experiences can win consumer trust and confidence. That could open the door to further growth through access to valuable data that will enable businesses to personalise the customer relationship at every touchpoint.

Q: What are your business priorities and how do these support your return to growth? How well do your priorities align with consumer concerns and expectations?





02.

THE CUSTOMER JOURNEY AND AUTHENTICATION





IMPROVING THE DIGITAL CUSTOMER EXPERIENCE

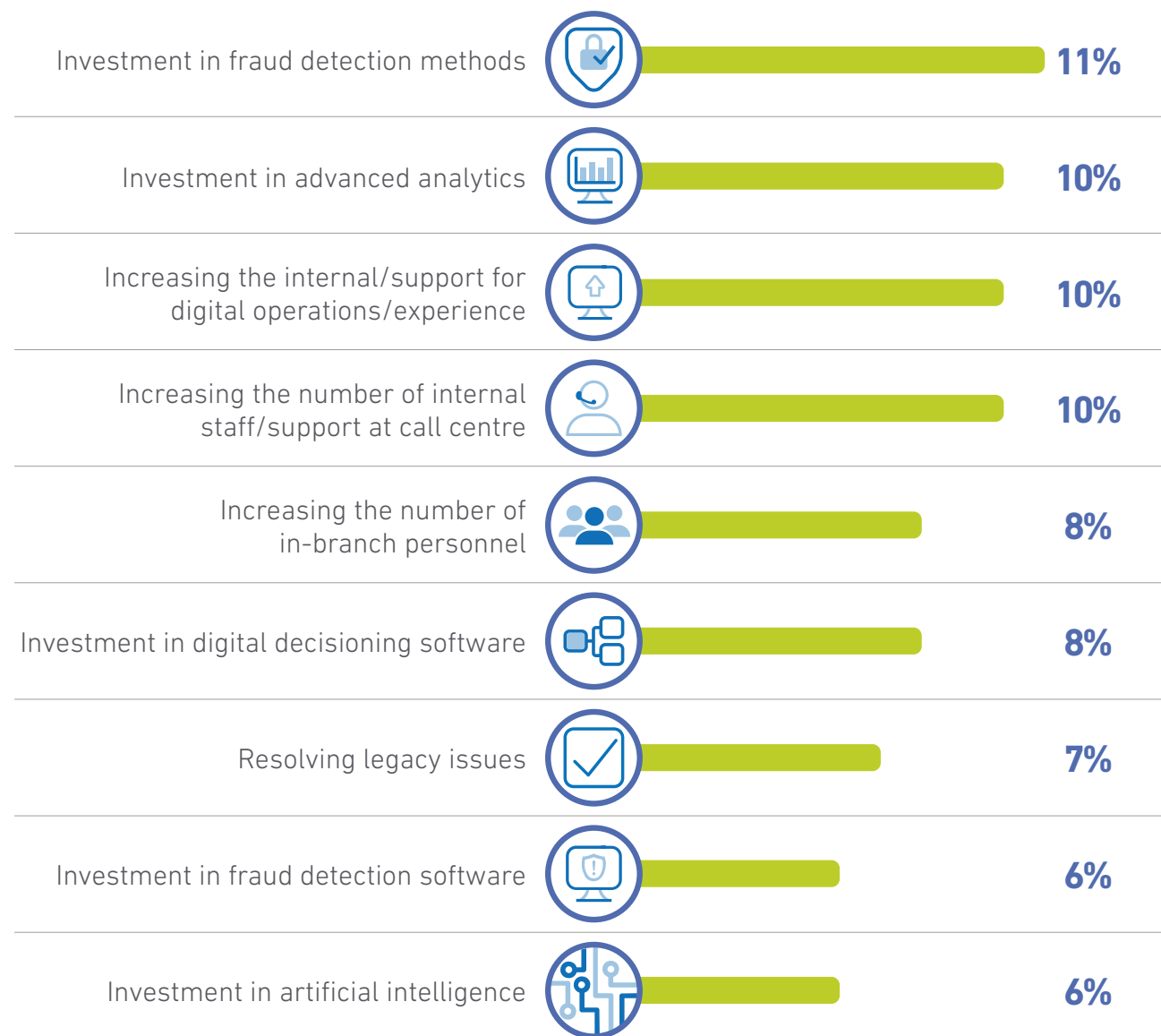
Businesses recognise the importance of providing a seamless and secure customer journey to fuel growth, and are investing in technology to achieve those objectives. However, while fraud detection is cited as a top priority (which we explore in chapter 4), the promise from advanced analytics takes prime spot. When we dig beneath the research, we can see that interest in advanced analytics, as well as applications, centres on being able to gain greater customer clarity – the ambition being to digitally direct the next best action seamlessly and fast.

[Click here for the full analysis in the UK fraud report](#)



ADVANCED ANALYTICS IS POISED AS A KEY ENABLER TO IMPROVE DIGITAL EXPERIENCES, INCLUDING FRAUD DETECTION.

Where are firms placing their budgets in order to improve digital customer service?





WE SEE A DIVERGENCE IN PRIORITISATION ACROSS BUSINESS SIZES

Smaller business are prioritising resources and workforce to improve digital customer experiences, while larger business are focusing on technology solutions, such as analytics and fraud detection.



TIER 1

13%

investing in fraud detection methods and advanced analytics.



TIER 2

9%

have a much larger breadth of focus areas, including investing in fraud detection methods, advanced analytics, increasing the number of internal staff/support, and resolving legacy issues.



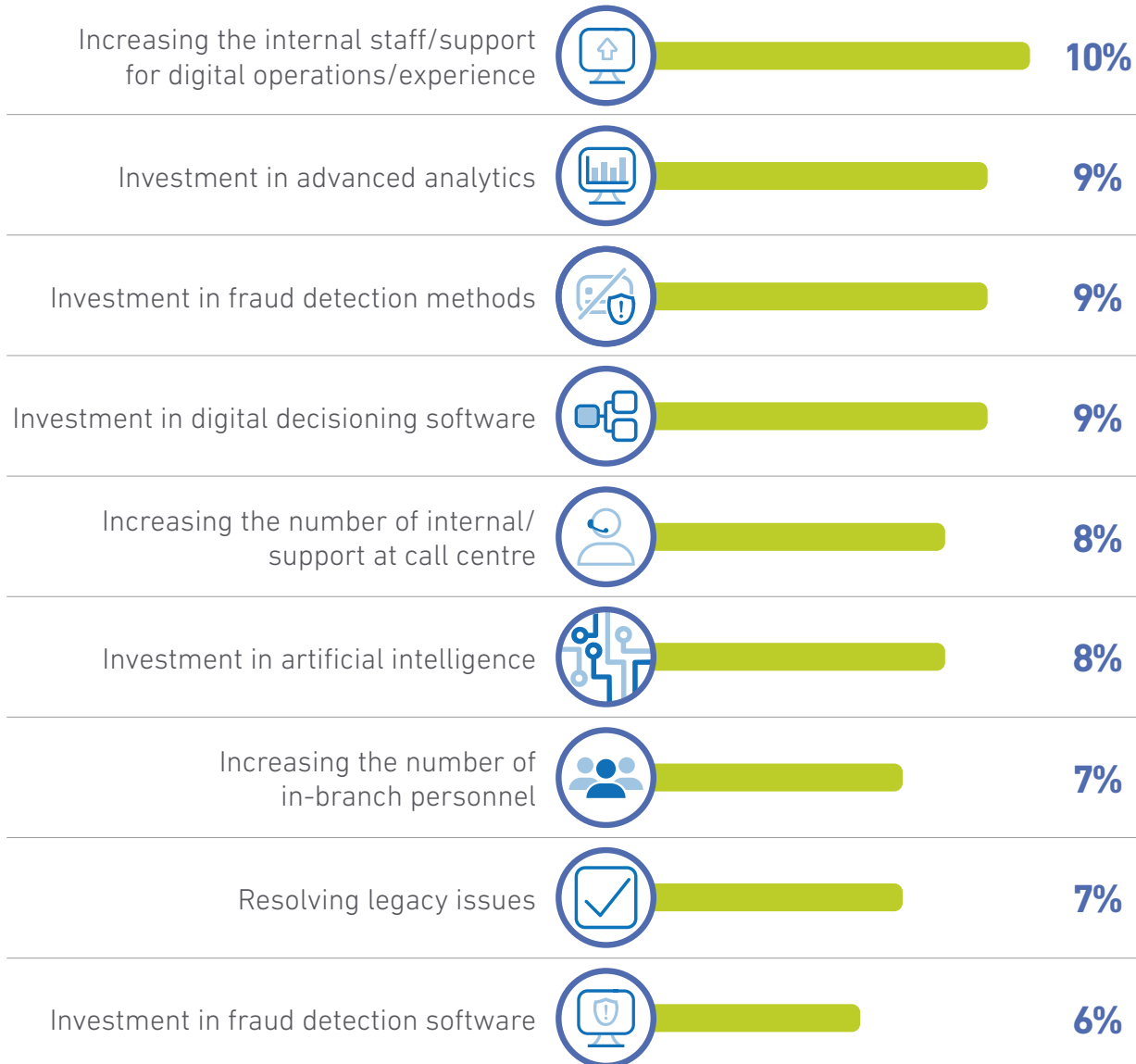
TIER 3

19%

while fintech businesses are typically savvier, the largest focus area for this sector centres around increasing the number of internal staff/support.



REDUCING FRICTION WITH EXTRA RESOURCES AND ANALYTICS



ALREADY DIGITAL SMALLER BUSINESSES NOW FOCUS ON INCREASING STAFFING. WHILE TIER 1 AND 2, FOCUS ON ADVANCED ANALYTICS AND DIGITAL DECISIONING.



TIER 1

12%

investing in advanced analytics.



TIER 2

11%

investing in digital decisioning software.



TIER 3

19%

increasing internal staff/support for digital operations/experience and at call centres.



LONG-TERM VIEW: DIGITAL INVESTMENT AND AUTOMATION WILL ENHANCE THE CUSTOMER JOURNEY

Looking beyond Covid-19
19% of UK businesses believe that
investing in digital and automated
operations, creating alternative
payment paths and managing credit
risk will enhance their digital
customer journey.





CUSTOMER AUTHENTICATION

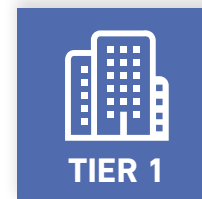
PRIORITISING DIGITAL RECOGNITION:



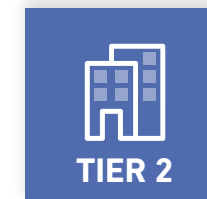
WE ASKED IF FIRMS HAVE A CUSTOMER RECOGNITION STRATEGY:



DIGITAL CUSTOMER RECOGNITION IS WIDELY ADOPTED ACROSS ALL BUSINESS SIZES:



82%



77%



81%



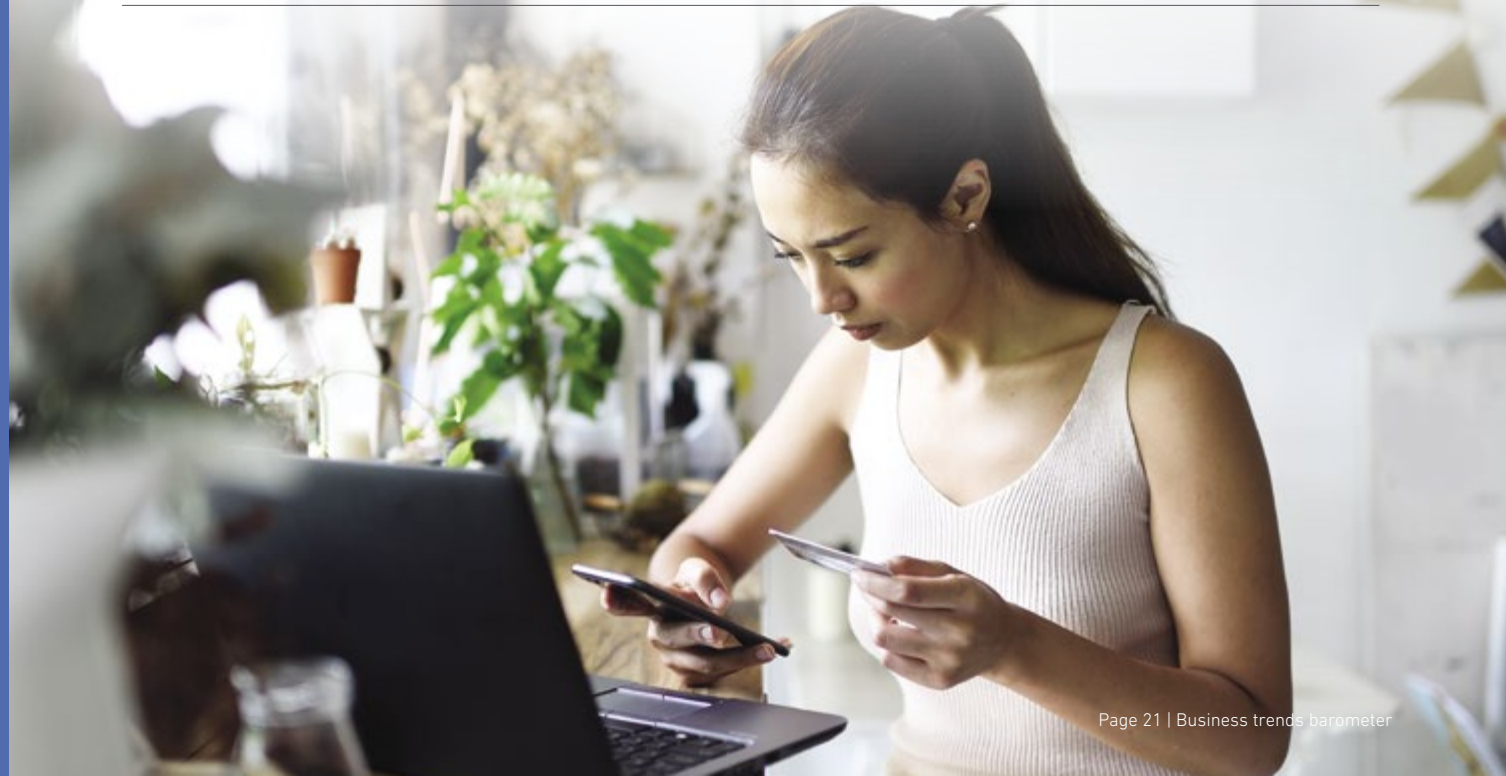
REDUCED RELIANCE ON INVESTING IN AI AND ML, IN-HOUSE, AS FIRMS PIVOT TO OUTSOURCING

The focus on adapting artificial intelligence (AI) and machine learning (ML) to authenticate customers has slipped among businesses in the UK – yet it is still seen as one of the top enablers. From our own qualitative analysis, we can see this reduction is largely due to an inability to operationalise AI and ML – and scale its use quickly. This corresponds, therefore, with the unanimous desire to adopt cloud decision-management solutions, which enable instant access to analytically enriched decision tools. There is also added value in the ability to test, learn, monitor and deploy change at speed.

MACHINE LEARNING CAN HELP ADVANCE AUTHENTICATION AND FRAUD PREVENTION

It's encouraging that UK businesses are maintaining their focus on customer authentication and fraud prevention as they seek to optimise the digital customer experience. Protecting customers and combating fraud are essential in building trust, preventing data theft and ultimately delivering long-term growth – but authentication needs to be as fast and seamless as possible. This is where artificial intelligence and machine learning can help to increase the speed, accuracy and efficiency of customer authentication and fraud detection, without compromising security or compliance.

Q: Is your business optimising its investments in the digital customer experience and customer authentication? Is your business maximising the benefits of AI and ML? How are you keeping pace with changing consumer preferences?





03.

CREDIT MANAGEMENT



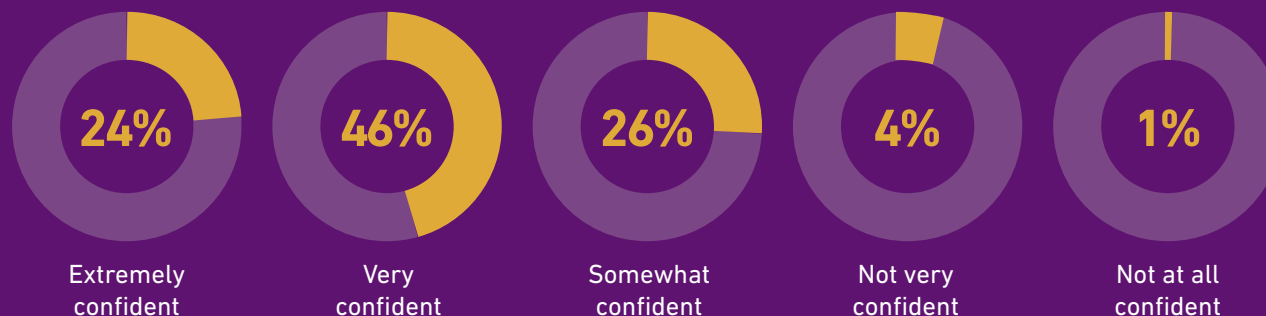


CONCERNS ABOUT CREDIT RISK EASING

Businesses are expressing less concern about the creditworthiness of their customers and their expected ability to collect credit. At the same time, confidence is eroding in the analytics available to manage credit risk.

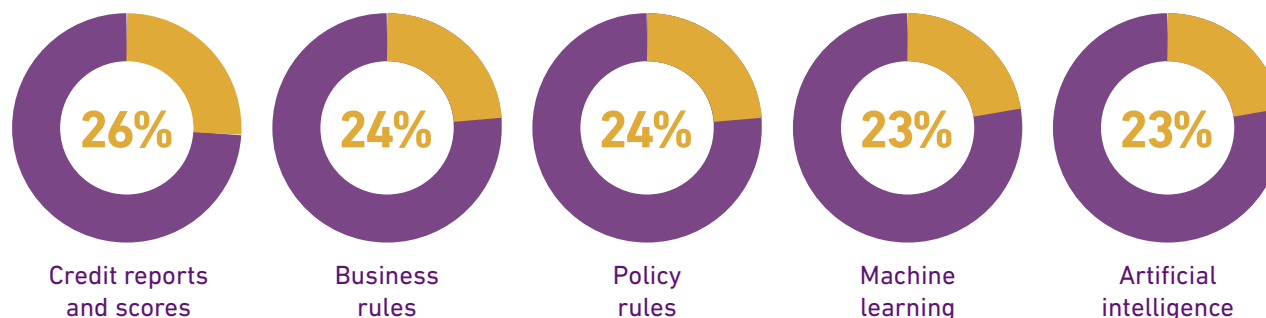
CONFIDENCE IN RISK MANAGEMENT METHODS IS SLIPPING

How confident are you in managing credit risk?



TOP THREE WAYS TO ASSESS AND MANAGE CUSTOMER CREDIT RISK

What are the current solutions you are using for customer credit risk assessment and management?





TIER 2 BUSINESSES PUT TRUST IN TECHNOLOGY, WHILE TIER 1 AND TIER 3 FOCUS ON TRADITIONAL METHODS SUCH AS CREDIT REPORTS AND SCORES

28%

credit reports and scores, and policy rules.



TIER 1

23%

business rules, machine learning, artificial intelligence.



TIER 2

38%

credit reports and scores.

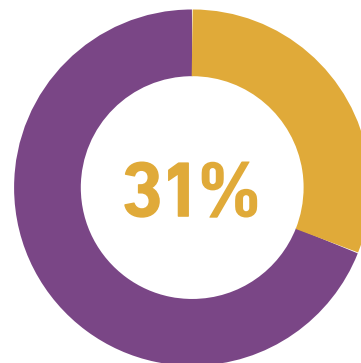


TIER 3

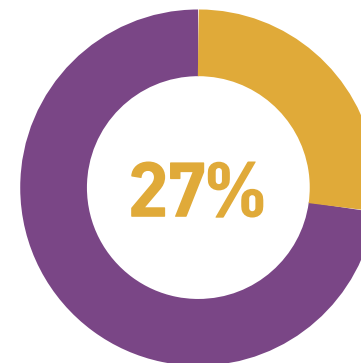
CREDIT RISK MANAGEMENT INTENTIONS FOR 2021

Automated decision management a top priority

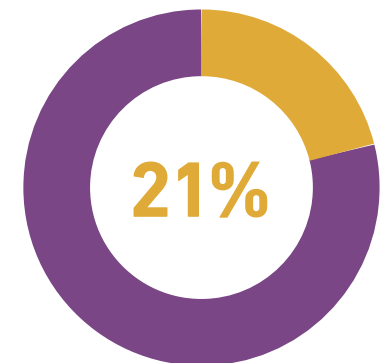
What solution(s) do you intend to implement in 2021 related to assessing and managing customer credit risk?



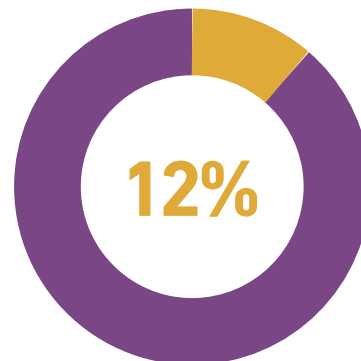
Automated decision management



On-demand cloud based



Decision management



Artificial intelligence



Credit reports and scores



Machine learning

* In the final wave of research (January 2021), 93% of businesses said they intended to implement automated decision management, followed by on-demand cloud-based decisioning (80%).



AUTOMATED DECISION MANAGEMENT A CORE REQUIREMENT FOR BUSINESSES OF EVERY SIZE

Across all business sizes, implementing automated decision management is the number-one intention, according to 32% (tier 1), 29% (tier 2) and 38% (tier three).

AUTOMATED DECISION-MAKING REMAINS KEY TOOL IN CREDIT RISK MANAGEMENT

Attitudes to credit risk management remain volatile. Loss of confidence in credit risk management methods may be a consequence of gloomy employment and economic forecasts, rather than any loss of faith in the methods themselves. Most businesses are still prioritising automated decision management when it comes to managing credit risk. Managing credit risk effectively and accurately at every stage of the customer journey will be essential to maintaining profitability and supporting the growth trajectory for businesses as we emerge from the pandemic.

Q: How concerned are you about creditworthiness? Do you have the solutions in place to better manage consumer credit risk?





04.

FRAUD MANAGEMENT





INTEGRATING DETECTION INTO CUSTOMER JOURNEYS

UK businesses are placing more emphasis on fraud detection relative to revenue generation, recognising the value of integrating fraud management to secure digital customer journeys.

SECURITY QUESTIONS ARE THE NUMBER-ONE FRAUD DETECTION METHOD



20%

Use of security questions.



19%

Security measures in customers' devices.



18%

Document verification.



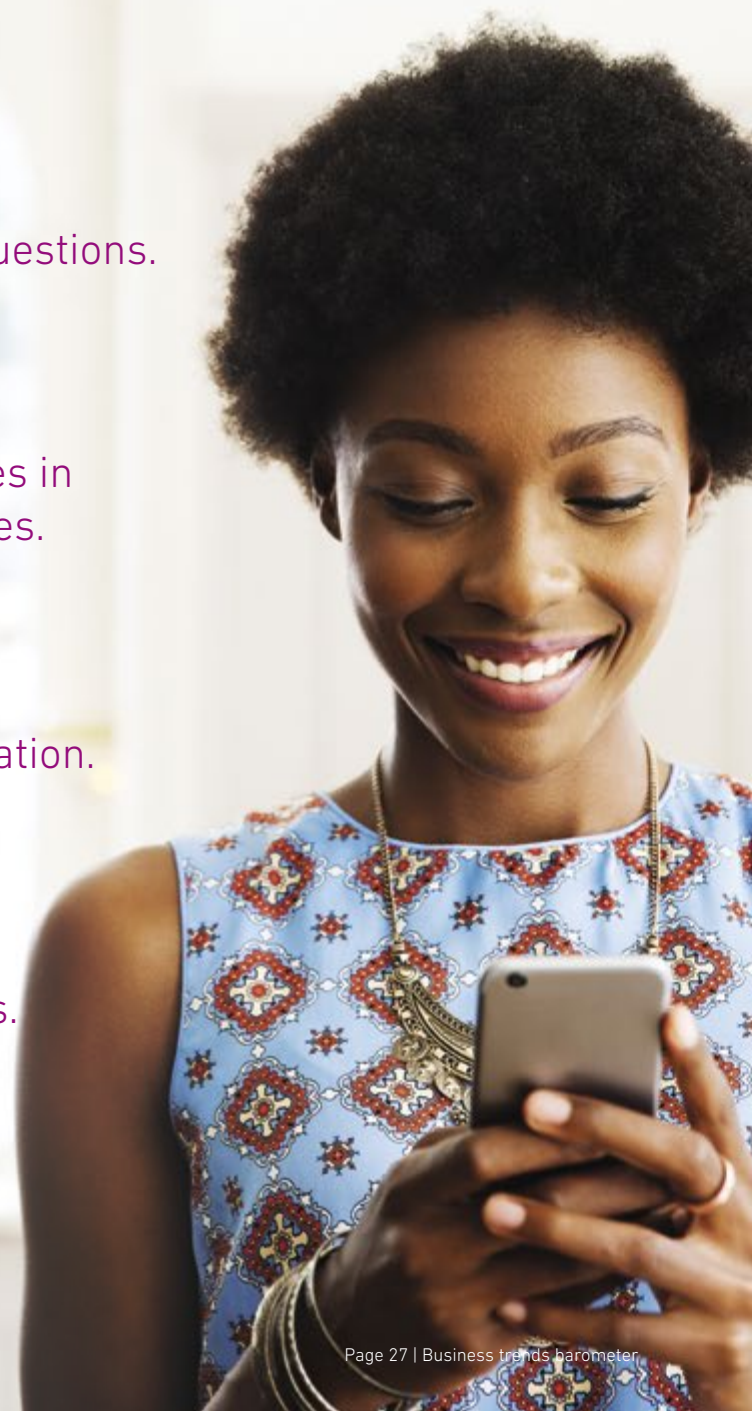
17%

Use of passwords.



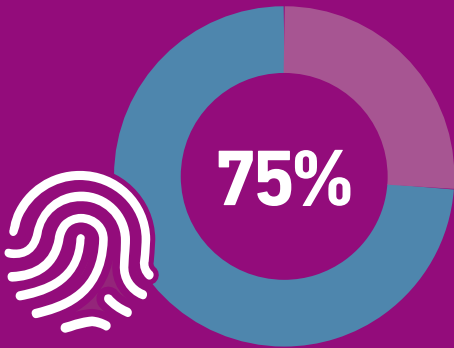
17%

Use of PIN codes.



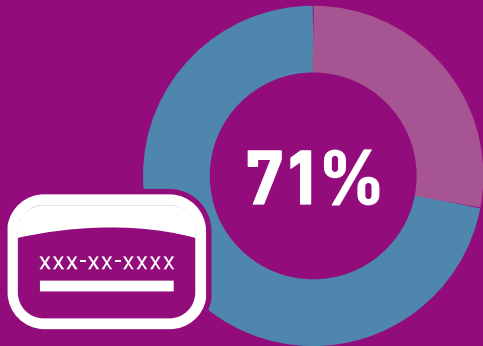


CONSUMERS PREFER INVISIBLE METHODS



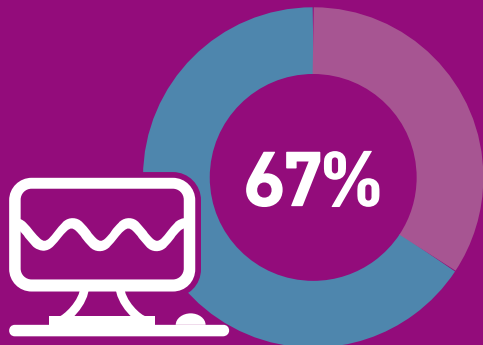
Physical biometrics

Mostly applicable to mobile devices and include facial recognition and fingerprints.



PIN code to device

Requires the use of two devices, each connected to the user's account.



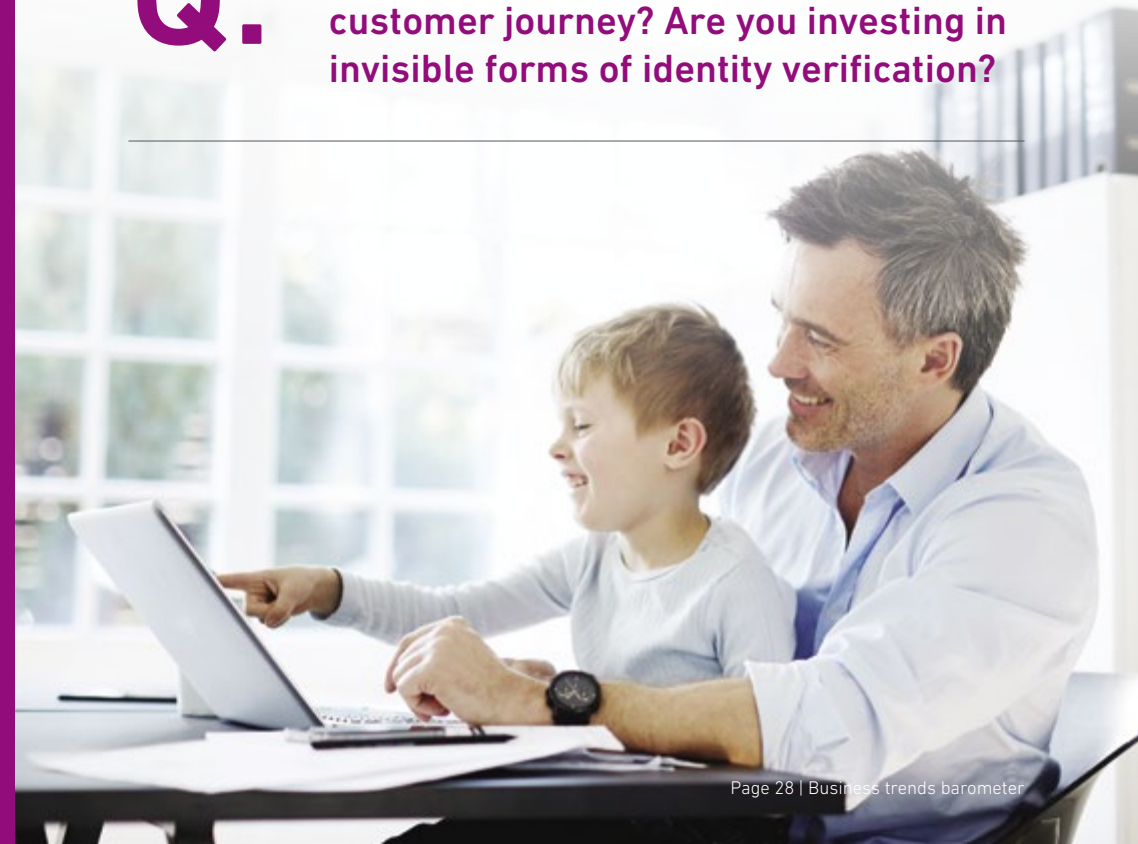
Behavioural biometrics

Passively observed signals across browsers/devices requiring no effort from the consumer.

BUSINESSES MUST ALIGN SECURITY INVESTMENTS WITH CUSTOMER PREFERENCES TO REBUILD CONSUMER CONFIDENCE

It's clear there is a disconnect between businesses' top security measures and consumer preferences. The measures in which businesses place most trust and investment do not feature in the top preferences for consumers, who seem to favour more invisible forms of identity verification. It's vital that businesses optimise their investments in authentication and fraud prevention, which means matching these investments to consumer preferences. Responding to consumer demand and providing authentication methods they trust will be important in rebuilding consumer confidence in the wake of the pandemic.

Q: What are you doing detect fraud in the customer journey? Are you investing in invisible forms of identity verification?





05.

ANALYTICS



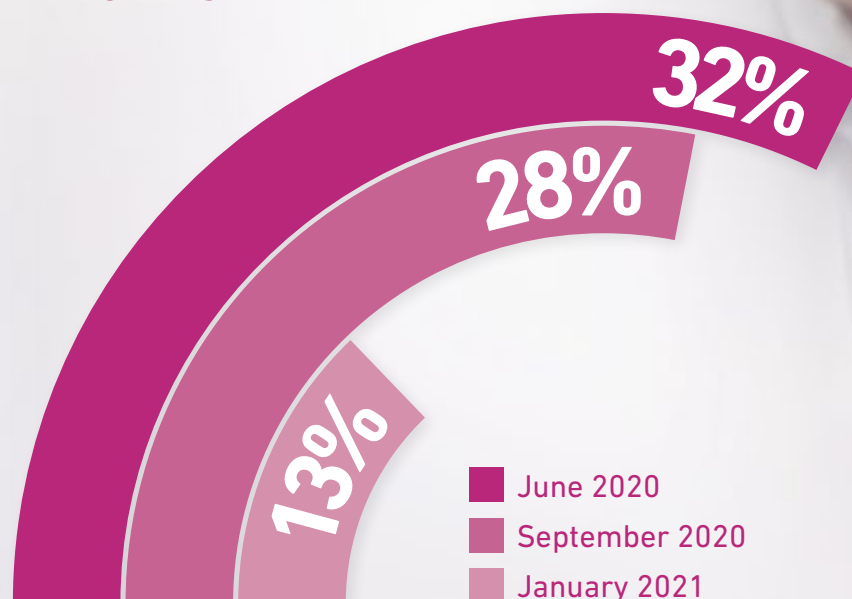


DECLINING EFFECTIVENESS OF EXISTING ANALYTICAL MODELS

CRISIS OF CONFIDENCE

UK businesses want to enhance current analytics models, but budgets are constrained and confidence in the effectiveness of analytical models is falling.

CONFIDENCE IN EXISTING ANALYTICAL MODELS HAS DECLINED OVER THE PAST 12 MONTHS





EXPERIMENTATION AND CUSTOMER BEHAVIOURAL PROFILING REMAIN A KEY TREND FOR BUSINESSES, IN THE QUEST FOR GREATER CUSTOMER CENTRICITY



51%

We are investing in customer behavioural profiling techniques.



48%

We are experimenting/exploring new/alternative data sources.



42%

We are asking our customers to contribute more information/data.



5%

I don't know/can't comment.

TIER 2 AND 3 BUSINESSES FOCUS ON CUSTOMER BEHAVIOURAL PROFILING, WHILE TIER 1 FOCUS ON EXPERIMENTING WITH NEW DATA SOURCES



TIER 1

55%

experimenting/
exploring new/
alternative data
sources.



TIER 2

45%

investing in
customer
behavioural
profiling
techniques.



TIER 3

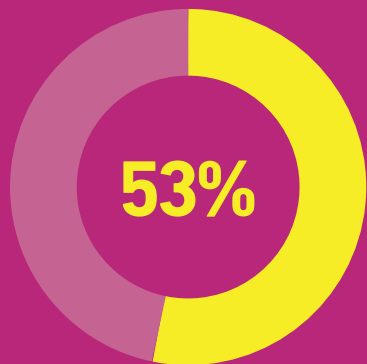
70%

investing in
customer
behavioural
profiling
techniques.

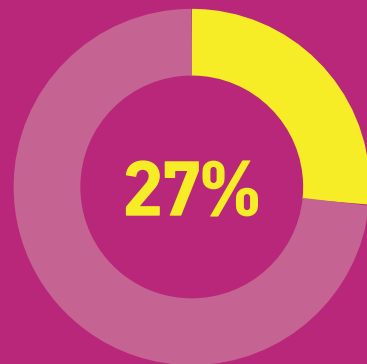




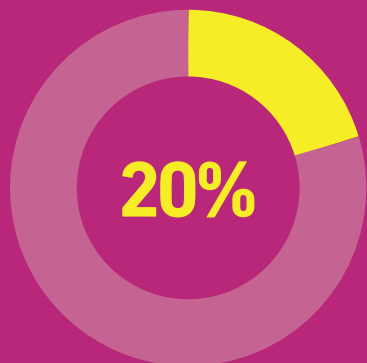
FIRMS ARE FAVOURING ACTIONS TOWARD BOTH RECALIBRATING AND REBUILDING ANALYTICAL MODELS



Hybrid of recalibration/improvement/rebuilding models.



Putting resources to recalibrate and improve existing models.



Rebuilding models from the ground up/scratch.

INABILITY TO DETERMINE MODEL PERFORMANCE IS CAUSING A DECLINE IN CONFIDENCE FROM FIRMS

Increasing concerns about the effectiveness of analytics may be due to a failure by businesses to constantly evolve, monitor and scale their existing analytics and machine learning tools. Without such continuous adaptation, these models become less effective over time.

Using agile technology that can draw data from multiple sources helps to compensate for any lack of historical data, giving businesses an accurate and up-to-date view of their customers at all times. Choosing analytics solutions that support a virtuous cycle of monitoring, improvement and adaptation will ensure decision-making remains dynamic, secure and future proof.

Q: Do your analytics give you confidence? When did you last assess their performance? What action are you taking, and what investment are you making in your analytics to improve customer decision-making to support growth?





CONCLUSION

THE NEXT STEPS

In light of these findings, what steps could your business take to sustain future growth?



Reflect

Assess where improvements can be made in the customer journey. How can you embrace digitisation and automated decision-making? How could growth and profitability be improved with access to the latest data, analytics and decisioning capabilities?



Challenge and review

How frictionless are your customer journeys? Where do you need to build confidence? How can you tighten up security without disrupting the customer experience?



Embrace automation

Explore the possibilities of artificial intelligence and machine learning to support decision-making and fraud management. In a competitive marketplace, don't get left behind when there is an opportunity to lead.



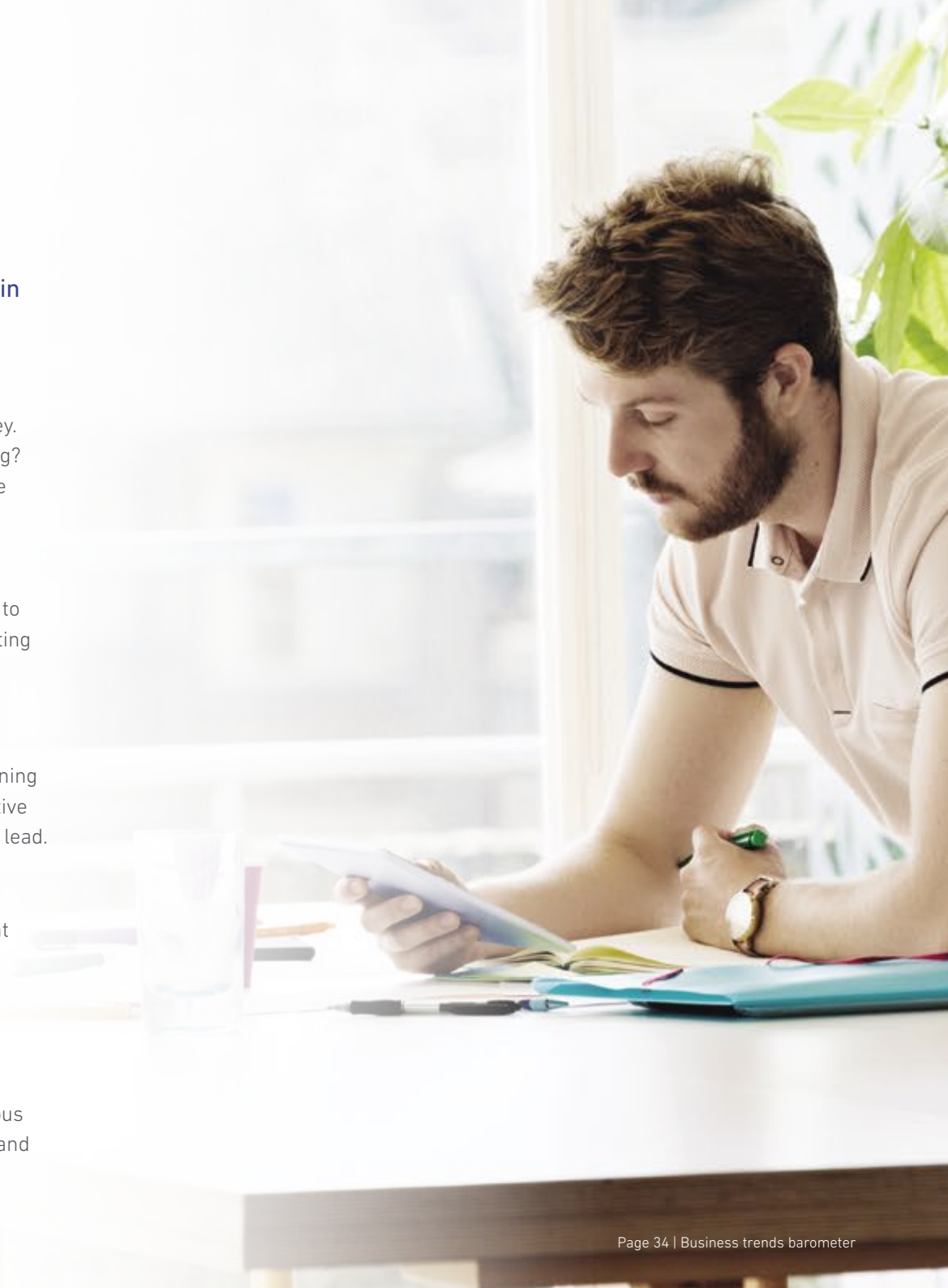
Technology

Does your ambition to digitise match reality? Do you have the right technology to support rapid decision-making, continuous risk assessment and robust customer authentication? Do you have a technology plan to support future growth?



Monitor and adapt

Identify opportunities to improve performance through a continuous cycle of monitoring and insight. Constantly adapt your strategies and policies, and build them into your decision-making.





OPPORTUNITIES TO RESTORE BUSINESS GROWTH AND CONFIDENCE

Businesses are investing to transform the digital customer experience and there has been a strategic shift towards the security of digital channels, the use of cloud technology, and the integration of new analytics models. However, while artificial intelligence and machine learning remain key enablers of enhanced customer decision-making, we continue to see slow adoption year on year.

With confidence dwindling in existing analytics models, there is the opportunity to make improvements to increase decisioning confidence. Artificial intelligence, better data and analytics all offer the opportunity for businesses to be more agile in the way they grow and fulfil consumer demand. Agility is no longer just the preserve of start-ups. New cloud-based tools, which enable straight-through processing and rapid implementation, offer businesses the opportunity to make immediate improvements to their decision-making and customer management, without extensive IT overhauls. They also enable firms to retain confidence in models, quickly access customer behavioural profiling and other advanced analytics – but without the investment of in-house teams. These tools are continually advancing, but also seamless to integrate into existing IT systems, allowing businesses to achieve short-term growth goals, while enabling ongoing control and efficient customer management to build sustainable growth and achieve longer-term objectives.

At Experian, we've invested continuously in making our world-leading data, analytics and machine learning tools more agile, accessible and affordable for all businesses. By democratising technology, we are creating an environment in which lenders of all sizes can access the latest data, models and advanced decisioning capabilities to grow their businesses. By helping businesses to better understand customers at every stage of the lifecycle, we empower them to make well-informed lending decisions with complete confidence.





HOW WE CAN HELP

Experian data, technology and expertise can help you grow your business by making fast, accurate lending decisions with confidence. From onboarding to collections, our cloud-hosted, pre-configured decisioning systems use sophisticated analytics and can be integrated with consumer and bureau data to support effective decision-making throughout the customer journey.

Whether you are a start-up, a scale-up or an established lender, our decisioning solutions are fast, accessible and affordable, enabling you to:



Access best-in-class data to gain in-depth information about customers and their risk profile.



Integrate AI/ML at speed – giving you a continuous understanding of opportunities and risks.



Monitor models and scenarios in real time, enabling you to adapt in an instant.



Transform and digitise your operations to reduce cost, increase compliance, and turn insight into action.

Our analytics and decisioning solutions can be integrated with identity and fraud management, affordability and other risk-based tools, to ensure you achieve compliance, efficiency and security – while delivering a digital experience that exceeds customer expectations.





Experian Decision-management solutions

Powering opportunity today, tomorrow, together.

Watch more about how we can help you
at each stage of the customer lifecycle.



businessuk@experian.com



**More on how our decision
platform works**



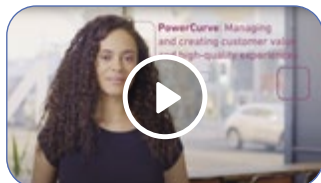
Intelligent Decisions



Customer Acquisition



**End-to-end complete
Customer Journey**



Customer Value



Debt Management



Registered office address:
The Sir John Peace Building, Experian Way,
NG2 Business Park, Nottingham, NG80 1ZZ

T: 0844 481 5873
www.experian.co.uk

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