

# Democratising data, analytics and technology

How all lenders can grow with  
confidence today, and tomorrow

June 2021





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About Experian





# Forward

By democratising technology, Experian is creating an environment that empowers lenders of all sizes, with access to the latest data, models, decisioning capabilities and support.

For many years, the best decisioning capabilities were the reserve of the biggest players, with the biggest budgets. But that's changing. At Experian, we've continuously invested in innovation to make our world-leading data, analytics and machine learning more agile, more accessible and more affordable for everyone.

We're living through an incredibly challenging period, and the finance sector is certainly not immune. The changes brought on by digitalisation, regulation and changing consumer behaviours have only been accelerated by the Covid pandemic. The phrase 'uncertain times' has quickly become a cliché, but it's also a truth.

The recent Woolard Review means today's lenders have to look at the decisions they make and conduct affordability checks across the lifecycle, not just at originations. Indeed, in a competitive environment, businesses can no longer only pay attention to their customers at acquisition or when they slide into difficulty.

Experian is here to help. Our cloud-hosted, preconfigured decisioning systems can be ready-integrated with leading consumer and bureau data, and sophisticated analytics, including machine learning, allowing you to get up and running in a matter of weeks. Gone are the days when you had to spend months or even years building customised systems that were a costly drain on resources and, more often than not, out of date before they launched.

Through our continued investments in our technology, platforms, data, and analytical capabilities, today our clients can refresh and rebuild scorecards instantly, as opposed to waiting years for the latest update. Meanwhile, machine learning, integrated into the decisioning environment, allows you to monitor models and scenarios in real time, making continuous improvement instantaneous. Ultimately, enabling both data and analytics to be operationalised which offers extended value – but also rapid response, and better customer outcomes. Benefitting your customers, and your business.

The credit market has always been dynamic and we're here to help you match that speed of change. Our constantly updated data, analytics and decisioning capabilities can help lenders – even those with smaller or more esoteric portfolios – understand customers better at every stage of the lifecycle, and make lending decisions with complete confidence.



## Creating certainty in uncertain times

The Covid-19 pandemic hit at a time when many consumers were already exposed. Almost a year on, many are continuing to struggle, and will do so for some time to come.

Of course, the risks to the economy aren't purely generated by Covid. Overlay the early effects of the post-Brexit economy and we can see that many more people are now exposed, creating new scenarios around affordability, vulnerability and creditworthiness.

Understanding exactly who is at risk – particularly as the furlough scheme and emergency payment holidays often mask the full extent of hardship – is now more urgent and more complex than ever.

For lenders there are several things to consider. The first is the immediate effect of the pandemic – determining who's been affected, and who will continue to be affected if various scenarios play out.

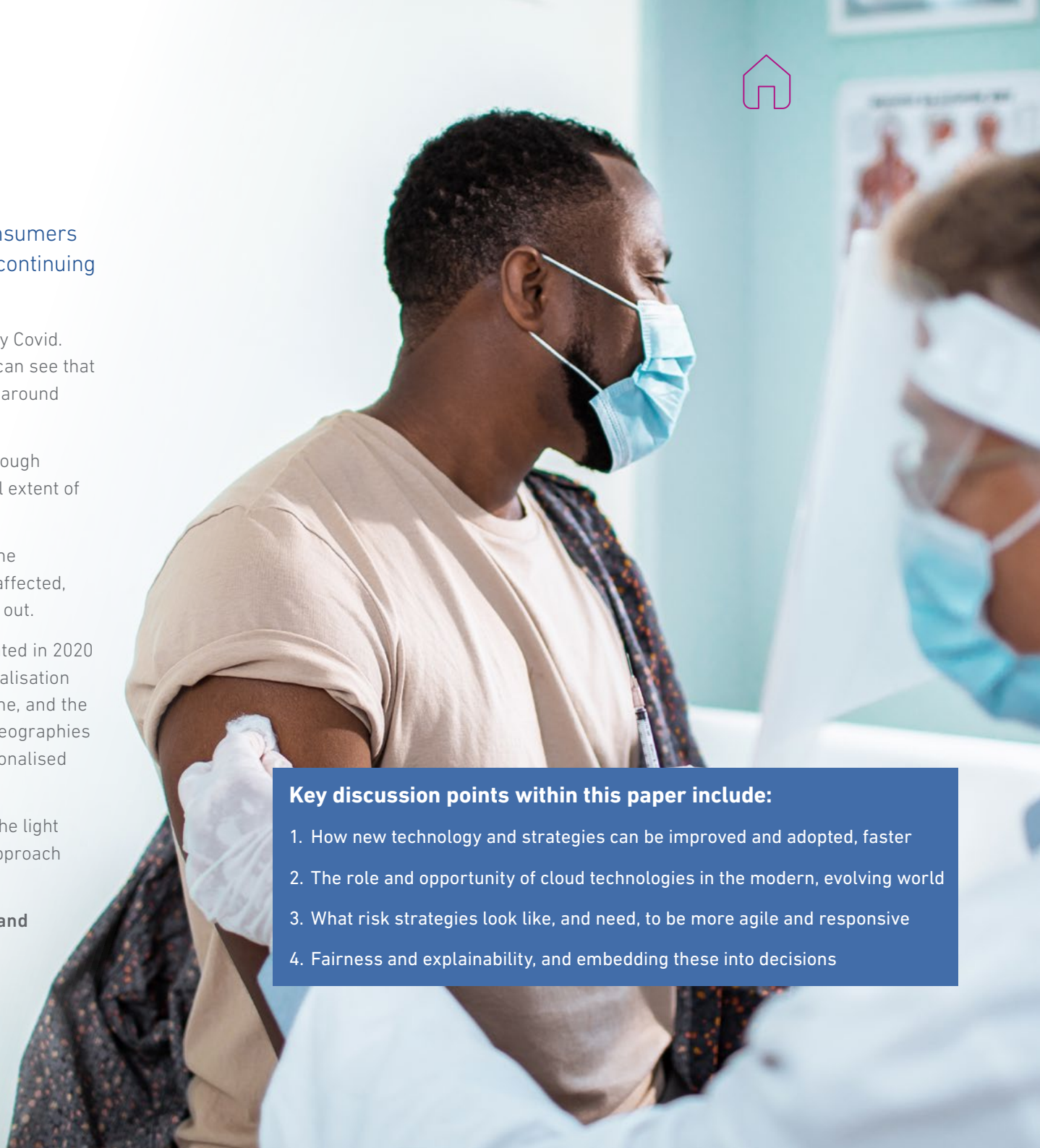
The second is addressing the trends that have been accelerated in 2020 by the Covid crisis. These include an increased focus on digitalisation and cost reduction, the need to monitor customers in real time, and the desire to identify trends at a granular level across sectors, geographies and socioeconomic segments, in order to provide more personalised services, products and experiences.

The third issue is how to meet the demands of regulators in the light of the Woolard Review, which recommends a more holistic approach to regulation.

**In this paper we'll explore how advances in digitalisation and decisioning can help businesses like yours meet these challenges and thrive in the new credit economy.**

### Key discussion points within this paper include:

1. How new technology and strategies can be improved and adopted, faster
2. The role and opportunity of cloud technologies in the modern, evolving world
3. What risk strategies look like, and need, to be more agile and responsive
4. Fairness and explainability, and embedding these into decisions





## SECTION 1

# Digitalisation

In this section, we'll look at how new technology and strategies can be improved and adopted at a faster rate to meet strategic business goals.

### Key takeaways



Cloud technology allows you to respond at speed as you seamlessly integrate and orchestrate advanced processes.



Being able to identify trends at a granular level – such as sector or geographical area – allows you to make more personalised, more accurate, more responsive decisions.



Journeys should be friction-right, not frictionless. To do this, intuitive architecture is imperative.



Disruption is coming from non-traditional sources, such as buy-now-pay-later digital lenders and tech giants. Being able to pivot quickly to side-step this disruption will protect your business.



## New opportunities for growth

Advances in artificial intelligence, machine learning and automated technologies allow lenders of all sizes to understand their customers better, make faster, more accurate decisions and strengthen engagement.

Having the right cloud-hosted tools in place allows you to consume, analyse and interpret vast amounts of data on a granular level – including local and sector-level data, alongside spending, employment and salary information. From this, you can gain a more sophisticated understanding of risk and its impact, managing it at speed and scale through automated decisioning that reduces costs, improves productivity and accelerates sales cycles.

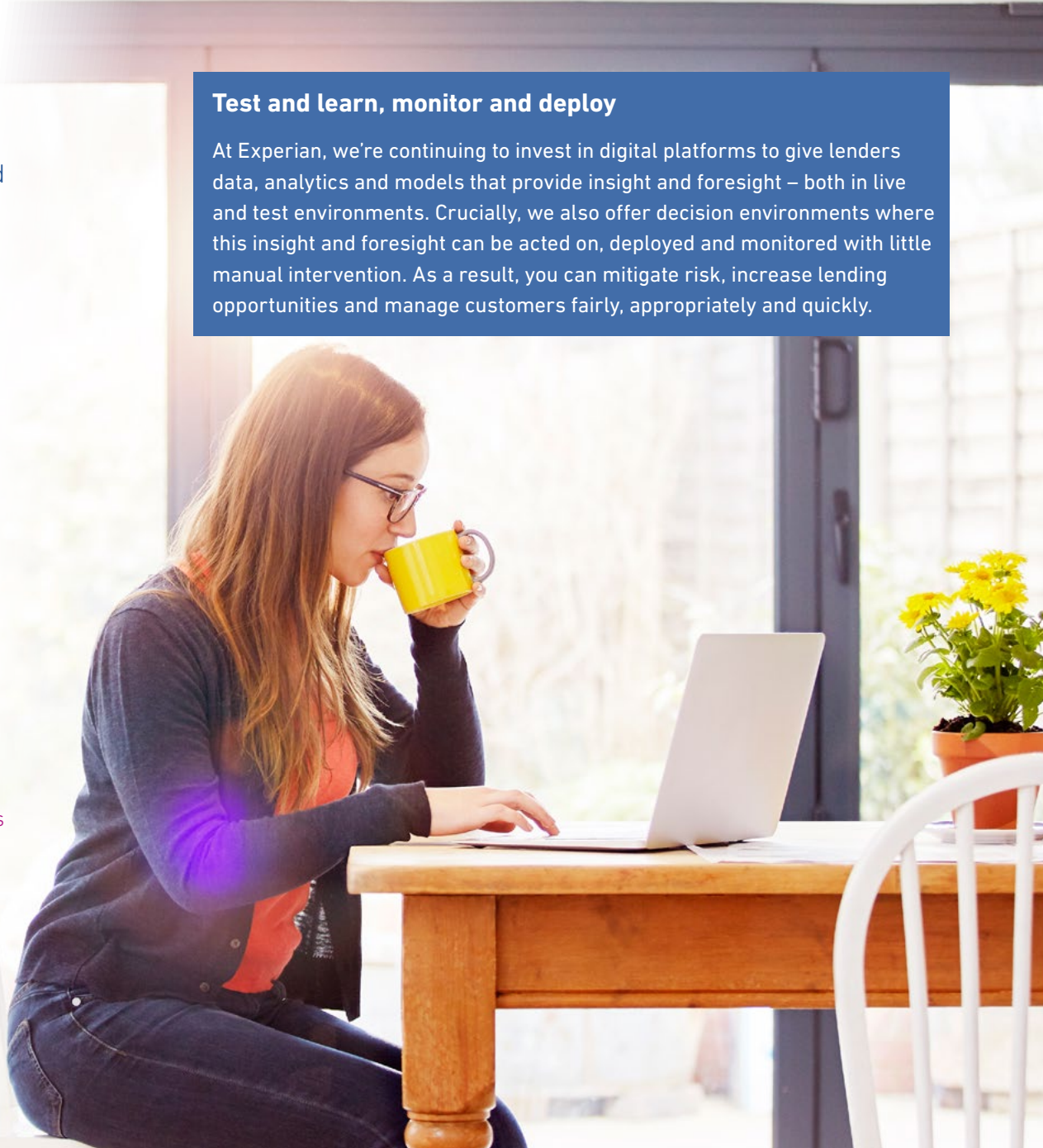
New cloud-hosted technologies also allow you to continuously monitor and benchmark your strategies, helping to control change, optimise risk management and identify new opportunities for growth from new prospects and across your portfolios.

Additionally, by arming you with continuous intel on how, for example, your rejected applicants perform when trading with a competitor, these technologies can give you greater clarity within your risk strategies.

- From an affordability perspective, there's currently a pressing need to understand employment risk and income, and validate your sources.
- Experian is constantly investing in new data sources to help strengthen employment verification and make it easier for you to automatically assess affordability and job stability at all stages of the customer journey.

### Test and learn, monitor and deploy

At Experian, we're continuing to invest in digital platforms to give lenders data, analytics and models that provide insight and foresight – both in live and test environments. Crucially, we also offer decision environments where this insight and foresight can be acted on, deployed and monitored with little manual intervention. As a result, you can mitigate risk, increase lending opportunities and manage customers fairly, appropriately and quickly.





## Automation in the new economy

Right now, lenders aren't just having to get to grips with an uncertain and volatile economy, they're also dealing with seismic shifts in customer behaviours and expectations.

As a lender, you're under pressure to provide fast, seamless, personalised, omnichannel experiences for increasingly tech-savvy customers. This is made even more challenging when you're also expected to have granular insight into portfolio risk and exposure.

The reality is that many lenders' decision-making is slowed by legacy systems that can't keep up with the scale and pace of the challenges accelerated by Covid-19 – mainly due to the time it takes to implement even minor changes.

Last year, one in four of the global businesses we spoke to highlighted a lack of automation across all commercial functions as an acute challenge. With the right data sources and analytical integration into your decisioning, you can now create quicker, more agile, better connected response strategies, taking on more of the customers you want, and fewer of the customers you don't.

Such agility will continue to be a critical enabler for businesses as we weather the aftershock caused by the economic crisis.

## Frictionless or friction right?

Lenders and regulators alike are focused on driving better customer experiences and outcomes through innovation at every stage of the customer journey.

Customers expect quick decisions across multiple channels, but a smooth journey shouldn't be at the expense of accurate checks for affordability and fraud. It's not about being frictionless, it's about being friction right. Such tools, eligibility, fraud, identity, affordability can be embedded into decision-management in order to enhance checks, without imposing friction.

Automation has long been known to reduce friction, but it requires more than just bureau data; you need high-quality data from both traditional and non-traditional sources, continuously managed and aggregated so you always have the best picture of your prospective customers.

## Automation made easy and accessible

Thanks to significant advances in cloud computing and continually advancing artificial intelligence and machine learning, you can now access this data and analytical power without the burden of an expensive IT overhaul – or the need to build a bespoke system.

With Experian, augmented decisioning can be rapidly deployed and optimised in weeks, enabling you to automate and improve the accuracy of your checks, reduce friction and take on more of the customers you want.

- Having the right technologies, underpinned by the right data, at the right time, will enable you to make more accurate customer decisions faster.

### The power of automating your decisions

Provide more accurate credit decisions faster, earlier and more accurately in the application process. By doing so value can be seen in many areas:

- Reduce churn.
- Improve customer satisfaction.
- Lower the risk of future delinquency.
- Increase the lifetime value of your customers.
- Improve overall business growth.



## Digitalisation is changing the way consumers use credit

The pandemic has greatly accelerated internet spending and the way we manage our finances online. In turn, this has led to an increase in innovative and disruptive buy-now-pay-later models, offering an alternative to credit cards.

Traditional banks and financial services companies are also under pressure from leading tech companies. Amazon and Alibaba now offer financial products, cash services and credit cards, while virtual assistants such as Amazon's Alexa, Apple's Siri and Google Home will – we believe – change the way people manage their finances, thanks to their ability to deliver highly personalised advice.

To make sure they're not left behind, established players need to fully recognise the threats from these disruptive forces. Embracing cloud-hosted decisioning platforms can help you reduce that threat, react faster to market shifts, integrate agile customer-centric product design, and keep pace with change.

Important to note, however, is that competitive threat and the need for speed and scale of change, is not limited to large incumbents. Every business needs to be able to make dynamic decisions, enable straight through processing and rapidly respond – on any channel, at an individual customer level.

- The latest advances to our decisioning platform, PowerCurve, allow you to
- import new analytical models that support multiple channels, including your
- customer portal, virtual assistant and in-house execution channels.





## SECTION 2

# Affordability and scoring: strategies to manage risk and opportunity

In this section, we look at what you need to gain a real-time view of an individual's affordability – as well as how evolved scores can support customer understanding and inform your decisions.

### Key takeaways



Understanding affordability across the lifecycle is even more crucial when it comes to supporting customers in times of need – and identifying who has the capacity for further lending.



Lenders need to be more transparent and accountable than ever for their risk decisions. They must be able to demonstrate their understanding of credit and affordability data – and how it can inform risk, protecting themselves and their customers.



Traditional scorecards and bureau data are no longer enough. Supplementary analytics and data sources, including indicators, can vastly improve your knowledge of what's affordable and where risks are present in your portfolio.



Scoring needs to be agile and responsive, and be built in an environment that's continually optimising in line with economic conditions.



Decisions have to be explainable and made without bias. Ensuring your technology and analytical tools can accommodate such reporting and auditing is crucial.



## Continuous analytical power is enabled by operationalising them

Analytics are evolving fast, becoming ever more powerful and sophisticated. Today's analytical models continuously improve in real time and are based on actual customer behaviours, giving you the power to continually and instantly optimise your decisions, strategies and customer journeys.

Analytics allow you to create better customer experiences and strengthen relationships at every point of the customer journey, not only during originations or at the point of default. They can also help you confidently understand employment risk and verify income sources – something that's more important than ever in 2021.

At Experian, we're investing in new data sources and analytic models, to make it easier for you to automate these steps and assess both affordability and employment stability, quickly and easily. But also test it, model it and act on it.



## The need for insight has never been greater

For all lenders, gaining greater insight has always been a priority. A better understanding of your customers – thanks to advances in data and analytics – means you can make more accurate lending decisions and provide a more personalised service that improves the customer experience and builds loyalty.

The complexities of climate risk, Brexit and changing regulation mean it's critical to properly understand individual customers on a detailed level.

With greater insight, you can create more responsive strategies for upselling and cross-selling, designed around individual customers in the moment of need – or even before. You can also create better outcomes at multiple points of the journey, supporting those who need relevant debt advice and support, or offering appropriate new lending products.

- When looking at creating better digital experiences, you need to look at affordability
- earlier in the credit lifecycle – at the advanced eligibility and pre-qualification stages
- – to create better, more satisfying outcomes for customers.

### Climate risk - a silent disruptor of lending decisions

While our minds have been focused on the risks created by the pandemic, another far greater risk has continued to grow around us. The Earth's climate is changing, and it is already impacting the economy and our financial system today. Before the pandemic, there was a clear drive to ensure lenders were taking steps to understand their exposure to climate risk, so that they could mitigate the risk by making the right forecasts and adjustments.

[CLICK HERE TO DOWNLOAD OUR WHITEPAPER: CLIMATE RISK – THE SILENT DISRUPTOR](#) >





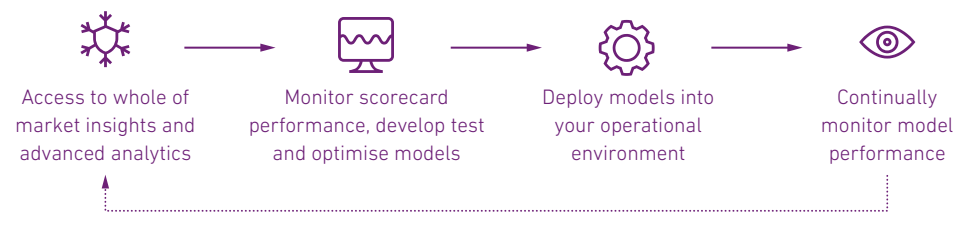
## Managing risk and uncertainty

Accurate, real-time insight will help you manage risk and uncertainty in a climate of change.

To understand the volatility in a consumer's financial capacity and act accordingly, it's vital you can recognise signals from your data, and act on them. Advanced analytics enable you to do this quickly and effectively.

Being able to determine which patterns are common for everyone – and which are indicators of impending stress or an opportunity for value growth – will help you manage your customers and wider portfolio far better.

But these analytics are best when driven through your decision processes. By harnessing the power of ML-enriched software, you can be confident that your decisions aren't just optimal – from initial pricing to credit limits – but also that they're relevant for that specific point in time and economic environment. Such capability, now easily available to businesses of all sizes, can support your provisioning and help protect your portfolio from risk at the same time.



### The affordability scales

Through data and analytics, you can gain a clear understanding of an individual's exposure and apply relevant treatments and strategies that appropriately reflect the scale of vulnerability.

#### You should be:

- Including income risk in credit and affordability assessments.
- Factoring individuals' needs into forbearance strategies.
- Identifying signs of stress through an aggregated view. These include a fall in income combined with a shift in spending to high-priority items, new or unauthorised overdraft use, greater reliance on savings, or an appetite for high-cost loans.
- Supporting consumers in building financial literacy to promote better behaviours.

To consume these, and other variables, identify, act and connect it into a seamless customer experience, there is a need for an intelligent decision environment. Behavioural profiling enables you to gain a holistic, dynamic view of customers, supporting proactive relationship management. Helping you to build loyalty and maximise customer lifetime value.

## The right tools for managing change

In an economy reshaped by Covid, uncertainty has become the new normal. As a result, you can no longer rely on understanding customer affordability only at the point of application – you need to continually assess whether lending is suitable throughout a customer's lifecycle.

That means having the foresight to predict how a customer's affordability will change if and when the economic landscape changes – and exactly what that means for your customers and your portfolio. Reliable, effective and continuous scenario modelling is critical.

At Experian, we know businesses can't just throw out their whole IT infrastructure every time something new comes along, which is why we're focused on helping you leverage and enhance your current systems to support future growth.

In recent years we've accelerated our investment in digital innovation, making our solutions more affordable, more accessible and more comprehensive than ever. For example our latest edition decisioning platform, is cloud hosted and works like an app, constantly updated and integrated easily within your existing systems.

It also allows you to add the latest custom plug-ins – such as scenario modelling or our latest analytics modules – Ascend Intelligence Services – to enhance your decision-making strategies and create precise, personalised experiences for your customers across the entire lifecycle.



Increase flexibility in your analytical tools



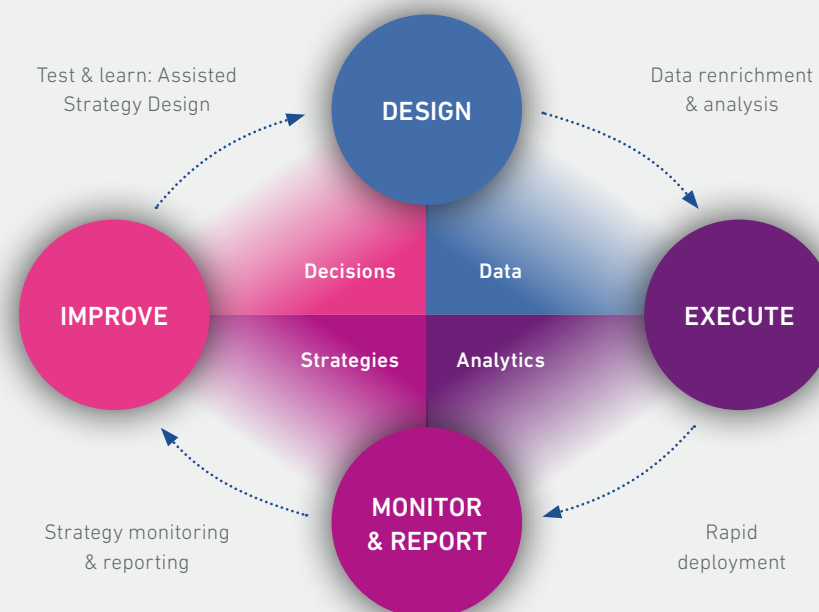
Maintain and increase relevance



Improve customer experience

Our software is designed to help you architect your IT for the needs of today, while being responsive and adaptive to tomorrow's demands. With the inbuilt ability to consume and interpret vast quantities of data, you can not only make and automate effective decisions, but also ensure they're always based on accurate, timely and relevant information.

Our advanced capabilities also give you the opportunity to continually monitor the performance of your decisions, testing and learning from new models and scenarios, then deploying change at rapid pace. It's all about helping you mitigate risk, manage customers fairly and increase opportunities to grow your business.

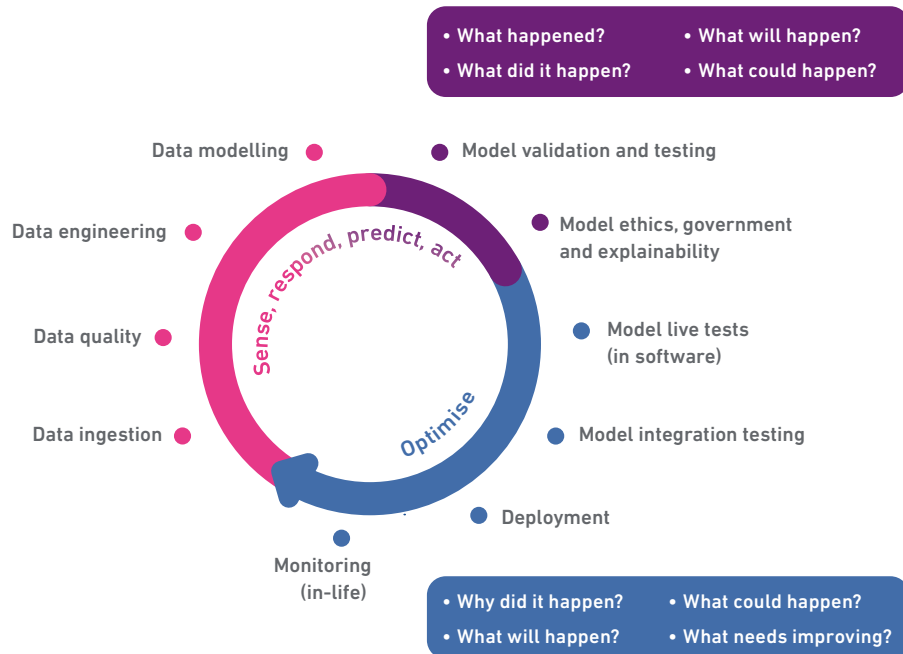




## Creating a dynamic decision environment

In order to grasp change, and be able to respond to it, the right combination of historic and forward-looking data is a necessity. But the requisite need for analytics and technology, that will turn the data into insight, and action – led by a virtuous cycle – becomes the critical requirement for confidence and success.

Experian's approach to decisioning allows firms to run analytically advanced processes that help them understand the what, the why and the if.



The depth of analysis, modelling and scenarios can be scaled through the interconnection of Experian's Ascend platform and analytical features too.

### This comprehensive approach:



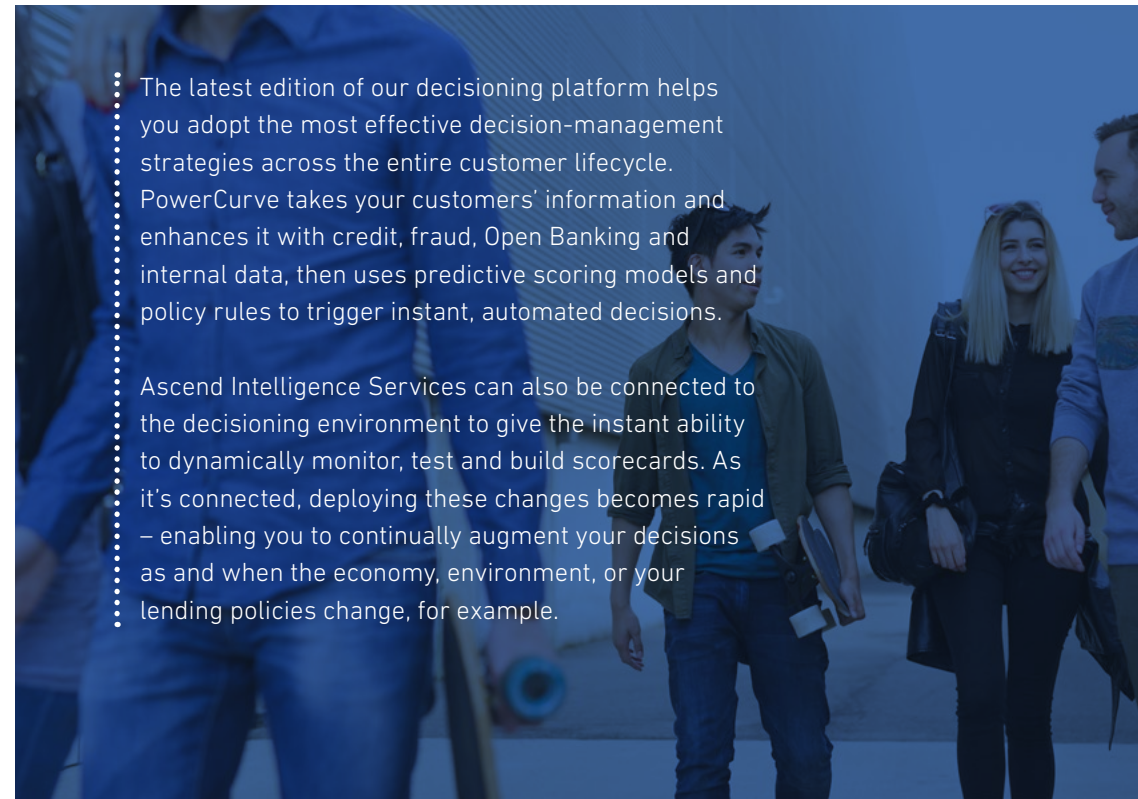
Enables clients to easily grow and adapt to meet future changes



Provides open, intuitive and flexible ways to improve, implement and optimise decisioning



Delivers sophisticated yet accessible analytics that turn data into actionable insights



The latest edition of our decisioning platform helps you adopt the most effective decision-management strategies across the entire customer lifecycle. PowerCurve takes your customers' information and enhances it with credit, fraud, Open Banking and internal data, then uses predictive scoring models and policy rules to trigger instant, automated decisions.

Ascend Intelligence Services can also be connected to the decisioning environment to give the instant ability to dynamically monitor, test and build scorecards. As it's connected, deploying these changes becomes rapid – enabling you to continually augment your decisions as and when the economy, environment, or your lending policies change, for example.



## The bigger picture

While we have focused on customer level decisions, understanding portfolio performance, capital and provisions is equally crucial. To enable the swift response, we have discussed at length in this paper, provisioning needs to also be interconnected within decision strategies too. And this is immediately possible.

Building an in-depth understanding of the implications of various likely scenarios is fundamental to stabilising and protecting your portfolio. Our analytic models can help you create portfolio-tailored unemployment curves, meet your IFRS 9 modelling requirements and calculate expected credit loss (ECL) forecasts in just a few clicks. This is driven by a multifaceted approach, which anchors off greater access to historical and varied data, alongside access to econometrics and analytical models. The outcome is access to a view of what's happened, and what's happening. In perspective, forecast who is going to be prime for new lending, but also individuals likely to default.

With such economic dynamics facing the market, accessing prepackaged models that can provide near-instantaneous insight to inform strategy and policy change, but also performance and provisions, becomes a critical enabler. The value of being able to drive this in a single coherent strategy from insight to action, offers instant transformation. This opportunity is enabled through Experian's decision analytics, in various means – but also as a single coordinated strategy.

- Our latest models and scenarios can help you answer many critical, and timely questions. We've continued to invest in Covid-19 specific innovations to provide additional clarity into risk management, capital adequacy and credit provisioning.

## Trust and transparency

As companies look to harness the power of data, the way that data is collated, stored and leveraged becomes increasingly important from an ethical perspective. Data has to be used fairly, with decisions that are justifiable. Open Banking raises a number of moral issues that have to be addressed if you're to protect customers and build their trust.

Although using advanced techniques to develop more predictive models can offer many benefits, it also brings new challenges in terms of trust. It's vital that businesses can explain new models and verify they're performing correctly to meet regulatory standards.

Reports show that lack of transparency is a major factor in hampering the uptake of advanced machine-learning models. As such, explainability has become a top priority for financial institutions making high-impact decisions in regulated markets.

Through PowerCurve, we've created an AI-augmented decisioning platform that enables explainable models and decisions, providing transparency across the decision process. Our solution solves the ultimate problem of determining and fixing algorithmic and decision bias. It applies to any stage of modelling, allowing you to train, evaluate and improve your models.

- **Fairness-as-a-Service**
  - To better identify and remedy bias, we've also created Fairness-as-a-Service (FaaS), a new software that uses proprietary algorithms to analyse discrimination and bias in machine-learning models. FaaS has been developed closely with regulators to ensure it exceeds their standards of fairness.



## CONCLUSION

# 2021 or 2031: The future relies on resilience and response

In a climate of change and uncertainty, insight, monitoring and testing across the credit lifecycle is essential, not only for managing risk and exposure, but also for identifying new opportunities and meeting evolving regulation.

The structure of the economy has radically changed in the last decade, and we expect it to change in the coming one. The next two years will see sustained uncertainty as we deal fully with the economic shock caused by the pandemic. Our expectation is that unemployment will peak at a little under 8% (the highest level since 2008), alongside a continued slowdown in spending and investment.

At the moment (early 2021), the economy has actually been relatively resilient, despite the significant economic, health and socioeconomic impacts facing the nation. But it has been helped greatly by government support. How will the economy fare without it?

## Drilling down to household level

The reality is, not everyone has been, or will be, impacted in the same way. Economic trends

aren't nationally or regionally balanced, so it's not until we drill down to household level that we can see where the stress points exist. Having an individual view is imperative for understanding risk and applying remedies and strategies to help prevent your organisation's exposure, as well as protect your customers and the wider economy.

## Operationalising data, and analytics to enable straight through processing

With Experian's cloud-based decisioning platform, you can more easily understand which parts of your portfolio are likely to be impacted. We can help you develop robust what-if scenarios to prepare for alternative realities, without having to wait for them to become reality. We can also help you identify stronger segments, to which you can lend more confidently.

We have the tools, models and techniques to solve the most complex problems and improve your insight and foresight – for today and tomorrow. The tools to consume data, alongside the largest and highest quality data sources in the UK – spanning traditional, and non-traditional sources. Our unique ability to bring data through the customer journey, at the right point enable friction-right, customer-centric decisions, and are evidenced to drive better customer outcomes, alongside more accurate capital calculations, and provisions.

This will be another challenging one for the all sectors, but it could also be the beginning of a fundamental shift towards a fairer, more ethical, more sustainable, customer-focused credit economy. And Experian is with you every step of the way.





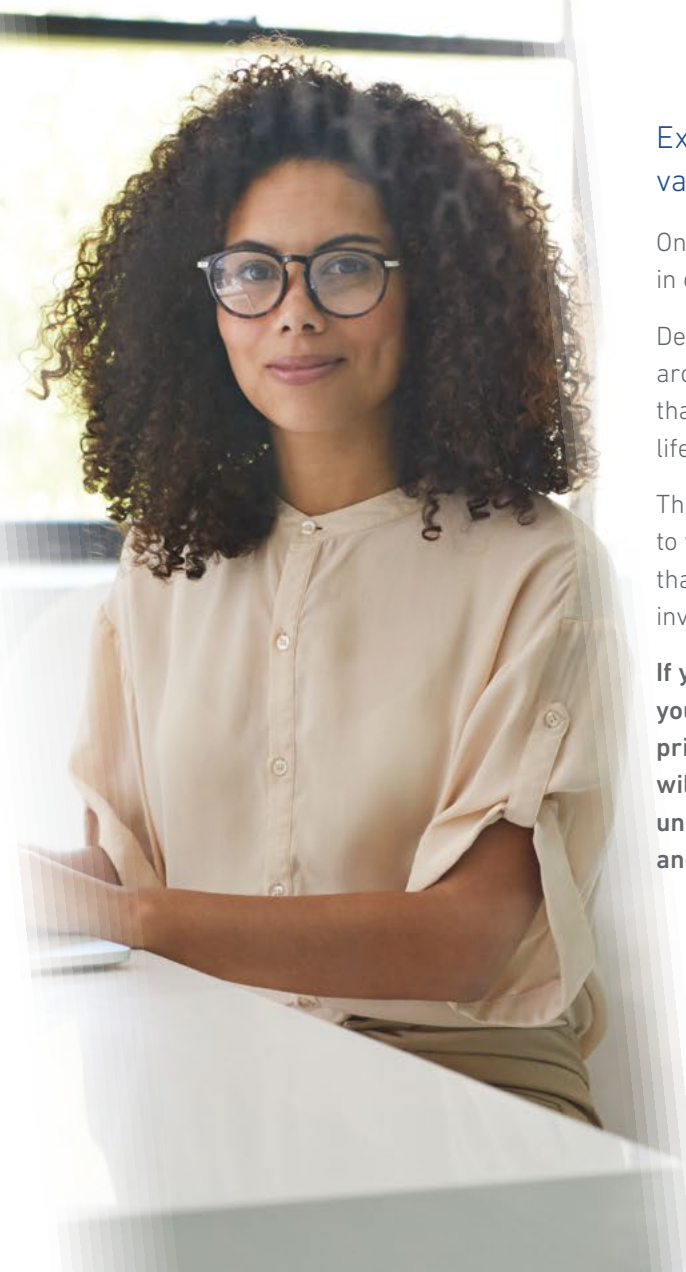
# About Experian

Experian is a global innovation company with a simple mission to transform people's lives and help shape the societies we live in.

For over 30 years Experian has been helping lenders make intelligent decisions. We provide decision management to the 7 biggest banks, as well as a vast array of large and small organisations across a range of industries, including new fintech and start-up companies. Recognised by leading analysts and cited within Forbes top 100 most innovative companies five years in a row – we are constantly innovating, and partnering with industry to solve complex problems, increase efficiency and drive innovation – at speed and scale.

Our next generation decisioning platform operationalises rich data and advanced analytics. Through our cloud-based decision management systems, these attributes are integrated to automate instant decision-making at scale, unlock value, and supercharge your performance - end to end. From finding, understanding and connecting with new audiences, to making credit and lending simpler, faster and fairer for any customer – consumer, or commercial. All while being more efficient, accurate and customer centric.

All of our solutions are configurable, putting our clients in control of their strategy. We can offer rapid-start pre-configured decision systems with integrated data services and workflows, or dynamic systems allowing for customised workflows and integrations. For more detail on our services, or for a free demo or consulting review, please get in touch.



Experian's platforms give you faster, more valuable features and functionality

One specific area where we've invested significantly is in our four platforms (see next page).

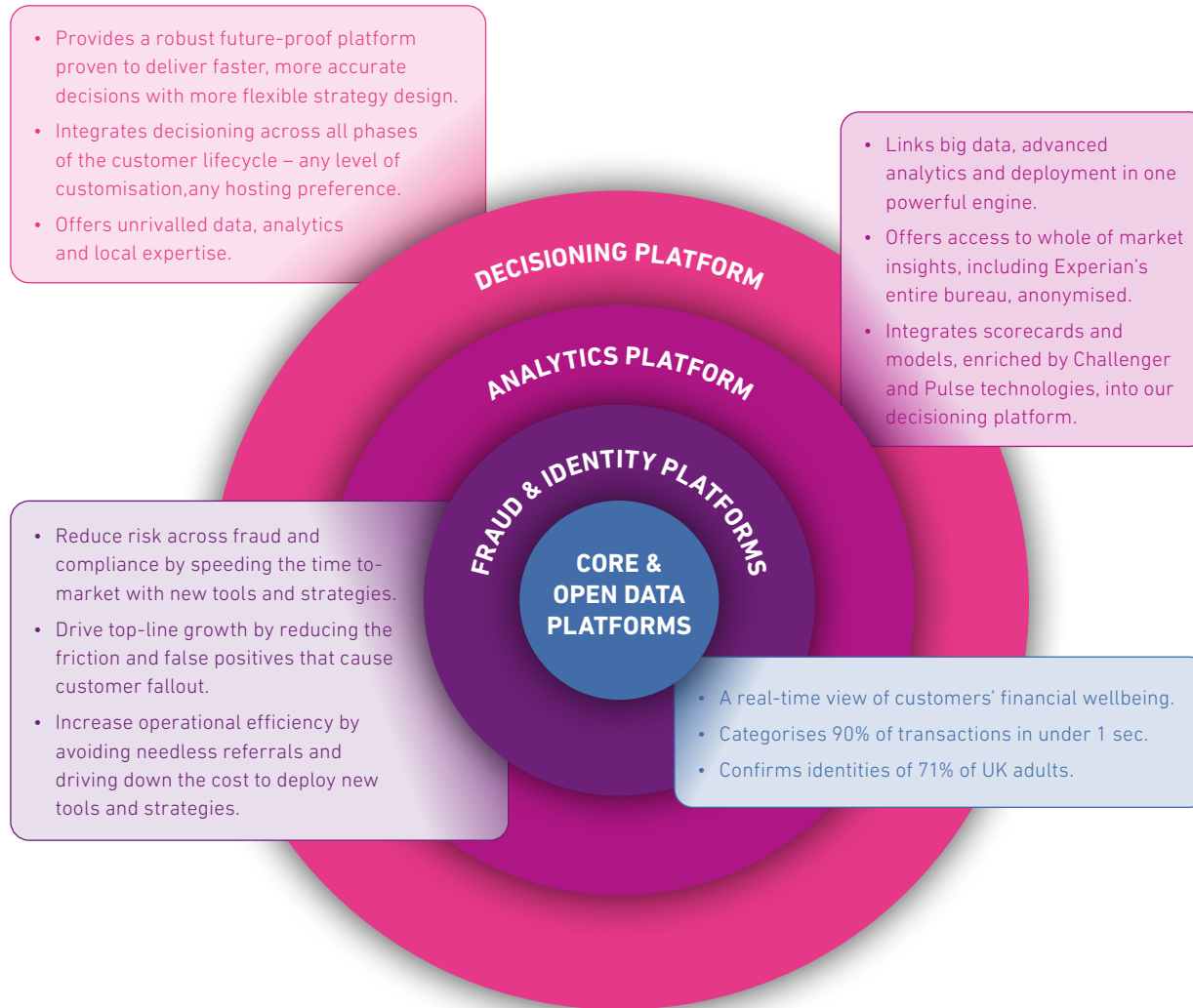
Designed to work independently or as a connected architecture, the platforms offer you an environment that can support your decisions end to end, across all lifecycle stages.

The platforms come preconfigured or can be tailored to your needs. Either way, they provide flexible usability that offers significant potential and return on your investment.

**If you'd like to find out more about how we can help you understand your exposure, opportunities and priorities, please [get in touch](#). Our expert consultants will be happy to work through your needs and provide unbiased views on areas where you can reduce risk and boost resilience.**



## Our four platforms are designed to support your end-to-end strategy



## Business benefits



Enhanced provisioning, exposure, market and portfolio insights.



Clearer consumer lens for more accurate lending decisions.



Greater opportunity for growth.



Fairer treatment and customer-centric approach to collections – including early-intervention strategies.



Faster, data-led, insight-rich decisions.

..... Data, analytics and technology are the heritage of Experian. Alongside our expert understanding of Credit Risk and Decisioning. Everything we do is driven off a single goal of transforming lives, through data. Our Platforms enable this reality at speed, and scale.



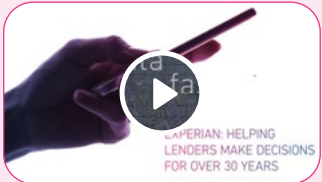
## Experian Decision-management solutions

Powering opportunity today, tomorrow, together.

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



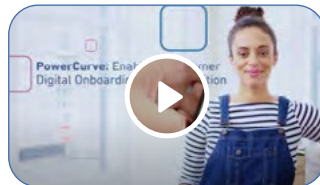
[businessuk@experian.com](mailto:businessuk@experian.com)



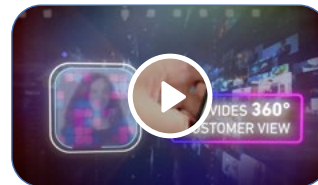
More on how our decision platform works



Intelligent Decisions



Customer Acquisition



End-to-end complete Customer Journey



Customer Value



Debt Management



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