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Combining data, analytics and decisioning for digital commercial onboarding

How to improve efficiency, reduce per-customer onboarding costs, and streamline regulatory requirements and reporting

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COMMERCIAL DIGITAL ONBOARDING

Discover. Understand. Innovate. **Grow.**

In the current inflationary environment, the challenge for commercial lenders is to onboard more 'good risk' customers at the lowest possible cost. Here, we look at how commercial lenders can harness and operationalise the wealth of data available on UK businesses to optimise their commercial onboarding strategies and achieve differentiation in today's highly competitive market.

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Are you making affordability decisions based on old data?

For businesses – and especially small and medium enterprises (SMEs) – fast, easy access to funds is critical for smoothing out cashflow, procuring new facilities or equipment, growing teams and operations, and for meeting a range of other key requirements. However, for lenders providing these funds, accurately, assessing the creditworthiness and affordability of these businesses – now and throughout the product lifecycle – can be extremely complex.

This is especially true in the current inflationary economy. For example, the cost of living crisis that is impacting UK consumers is also having a knock-on effect on businesses – and this looks likely to persist for at least the short and medium term. With rising costs across raw materials, energy, fuel and wages, organisations are also feeling the pinch. Low consumer confidence and the corresponding fall in 'non-essential' spending is having a major impact on revenues across a multitude of sectors, from fashion retailing and hospitality, to entertainment and even FMCG.

In addition to these macro-economic challenges, banks are now obliged to share credit data and Open Banking data on their SME customers under the Commercial Credit Data Sharing initiative (CCDS). This is opening up the commercial lending market to a new generation of Fintechs and Challenger banks who now – according to the British Business Bank Small Business Finance Markets Report for 2021/22 [1] – provide 51% of gross bank lending to SMEs.

To survive, and thrive, in this environment, commercial lenders need to identify and onboard customers who represent 'good risk' quickly. What's more, the onboarding process should be as automated and simple as possible, both to deliver great customer experiences, and to ensure that lenders can also keep their referrals and overall onboarding costs to a minimum, thereby maximising margins. Achieving these goals, says McKinsey & Company, requires a new approach to commercial lending. **To ensure success, this should be based on the use of "forward-looking data sources and cutting edge modelling techniques".** [2]

[1] Infographic (british-business-bank.co.uk)

[2] How banks can reimagine lending to small and medium-size enterprises, McKinsey

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In this paper, we look at how commercial lenders can harness the wealth of data available on UK businesses and operationalise it to optimise their commercial onboarding strategies and achieve differentiation in today's highly competitive market. Specifically, we explore how Experian's Commercial Onboarding solution, which combines rich data sources, advanced analytics and real-time decisioning capabilities, allows lenders to optimise and automate the onboarding process from end to end to ensure the highest levels of operating efficiency, profitability and customer satisfaction.

How the cost of living crisis is impacting your business customers

Many of the cost of living factors that are currently impacting consumers are having either a direct, or knock-on impact on business' financial health, or otherwise.

During the COVID-19 pandemic, the government quickly put measures in place to protect UK businesses from negative economic impacts. However, the strategy for reducing the impacts of the cost of living crisis on SMEs is more uncertain. This is leading to increased demand for credit, but also to increased financial stress and, potentially, reduced affordability in the near term at least.

Several of the key factors currently impacting businesses are:

Inflation in raw materials, fuel costs and energy costs
These are increasing the cost of doing business, stifling growth ambitions and increasing the need for credit. The impacts are especially pronounced in sectors such as farming, logistics and high-energy industries such as manufacturing.

Reduced consumer confidence and levels of spending
This is negatively impacting business revenues, especially in 'luxury' sectors, hospitality, and even in clothing and food retail.

Brexit challenges to free flow of goods
These are increasing workloads and costs and impeding normal business activities with negative impacts on revenues and margins.

Increased staffing costs
These are related to both a lack of skills and available employees, as well as higher wage demands related to the cost of living crisis.

Slowing economies around the world
These have a negative impact upon UK businesses that export goods or services overseas.

The rising cost of credit
This is due to interest rate rises.

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Five key requirements
for success

With multiple factors impacting commercial customers and their affordability, the need for accurate onboarding decisions is more pressing than ever. However, all of the checks and balances required to recognise 'good risk' customers can become time-consuming and cumbersome. This then has a knock on effect to the customer experience and may also impact a lender's competitiveness and growth ambitions. However, using a range of relevant data sources from both inside and outside the organisation, combined with real-time decisioning tools, lenders can enhance the onboarding process based on faster, more accurate decision making and reduced manual effort. The results are lower operating costs, reduced risk and improved compliance with regulatory requirements.

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To reduce credit risk, while providing the fast, convenient onboarding experience commercial customers want and expect, the onboarding strategy should include five key capabilities

1 **Rapid and effective credit risk assessment**. At the beginning of the onboarding process, there must be checks and balances to distinguish prospects who may represent good credit risk. Conversely, customers who have just started out in business, who are requesting loans disproportionate to their income and ability to pay, or who have had previous issues in their payment history, need to be identified rapidly.

2 **Accurate calculation of affordability (initially, and throughout product lifecycle)**. For customers who meet overall creditworthiness requirements, it is important to understand their specific affordability criteria to determine the size of the loan that should be offered, as well as suitable repayment terms and conditions. Once the maximum value of the loan offered to a customer has been determined, their affordability should still be monitored on an ongoing basis to minimise the risk of them experiencing financial difficulties or defaulting.

3 **Comprehensive financial crime checks**. Customers that seem to meet credit and affordability requirements also need to be vetted for potential financial crime activities, such as money laundering. This requires in-depth analysis of information pertaining to business owners and stakeholders, including analysis of whether any people connected to the business are Politically Exposed People (PEPs), for example.

4 **Effective fraud detection and prevention**. Even if a business seems to meet all credit, affordability and AML requirements, there is still a chance that applicants are not who they say they are, or that applications are otherwise fraudulent. To minimise such risks, lenders need to ensure that significant owners of businesses can be identified, and that the business itself is genuine and engaged in legitimate revenue-generating activities.

5 **Process automation for efficiency and great customer experiences**. While all of these checks and balances are potentially complex, lenders still need to provide a fast, convenient application process and rapid decisioning to meet customers' needs for faster, fairer funds. This is only possible if data on business customers and decisioning capabilities are fully integrated, and if the decisioning process is automated as much as possible, with referrals only for marginal applicants. As well as providing excellent customer experiences, this kind of automation can also help lenders to reduce onboarding costs dramatically.

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# Optimise onboarding accuracy and efficiency from end to end with Experian

To help lenders successfully onboard customers, Experian offers a single, end-to-end Commercial Onboarding solution. This brings together comprehensive data, advanced analytics models and cloud-based decisioning software to support highly accurate and efficient onboarding.

With the ability to recognise and onboard customers instantly, lenders can reduce credit risk across the portfolio and ensure customers have the right affordability to meet their payment obligations, throughout the product lifecycle. What's more, lending becomes simpler, faster and fairer for customers, giving lenders a new competitive edge and helping to drive business performance and success.

Rich data from multiple sources for highly accurate credit and affordability decisions

With access to rich data from multiple sources, along with tools to operationalise this across the business, we provide a clear and instant view of customer credit worthiness, affordability, and crime and fraud risks. The data available includes demographic and behavioural data; Current Account Turnover (CATO) Data; and Credit Account Information Sharing (CAIS) data which shows business customers' existing credit and payment obligations. This data also needs to be enriched with financial data relating to significant owners and stakeholders in the business, highly relevant for credit and affordability models and decision making.

Together, these data sources provide a highly trusted view of a businesses' financial health and ability to pay, supporting fast and accurate credit and affordability decisions. Data about the business customer and significant owners can also be used to pre-populate applications, creating a smoother, faster and more convenient onboarding experience for customers.
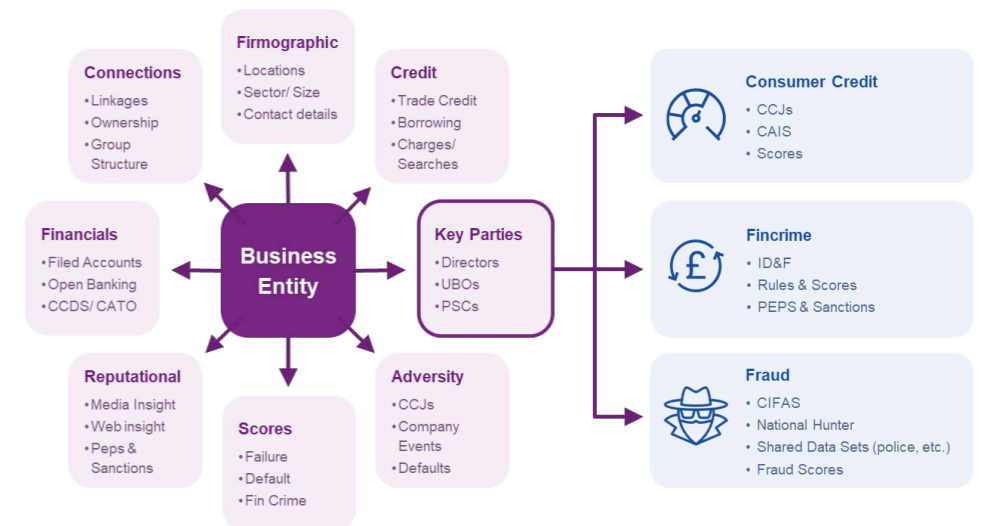
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Experian's breadth and depth of data and analytics capabilities support fast, highly accurate onboarding and affordability decisions

Marketing and Personalisation	Market Intelligence	Credit Bureau Data	Risk Scores	Affordability	Data Management	Identity	Fraud and AML	Payments
				Customisable integration option				
Contact Data	Economics	Business Debt (CAIS)	Business Viability – Commercial Delphi	UK and international business, director/ owner information and credit reports	Data matching	ID Verification	Business KYC and UBO Checks	Business account validation and verification checks
Data Cleansing	Market Benchmarking	Current Account Turnover (CATO)	Financial Strength	Open Banking Affordability	Self-service data quality and enrichment platform	PEPs and Sanctions	Consumer KYC Checks	
Single Customer View	Market Opportunities	Payment Performance	Distress Warning				International KYC Checks	
Segments and Modelling	Mergers and Acquisitions	Global Data Network (GDN)	Cashflow					

Configured with PowerCurve Customer Acquisition

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Advanced analytics models and consultancy to support a higher degree of automation and efficiency

It may be difficult to automate credit decisioning and customer onboarding due to a lack of data on existing customers. For example, it is often difficult to create an ideal customer profile for automated onboarding for lenders with small portfolios, or for lenders with higher or lower risk appetites. At Experian, we can help lenders facing this challenge by augmenting available datasets with anonymised data on businesses across the UK. This makes it possible to model credit decisioning and affordability based on a much larger data sample, supporting the development of policies and strategies to increase automation in the onboarding process.

Using this approach, we have helped some customers increase the rate of automation in the onboarding process from around 5% to 30% in a short time period, delivering significant cost and time savings in the process. Likewise, similar approaches can help lenders make more accurate lending decisions for customers who are borderline cases for onboarding – meaning that they are narrowly positioned between 'accept' and 'reject' criteria.

Experian can support the development of new analytics models via consultancy engagements, or by providing our analytics 'sandbox' to our customers for your own use.

Innovative, cloud-based decisioning software for a fast and seamless customer onboarding experience

Experian's decisioning engine for commercial onboarding is tried and tested in countless customer deployments around the world. It allows lenders to operationalise data on customers' credit worthiness, affordability, and financial crime and fraud risks. It also allows organisations to segment customers, set appropriate credit limits, price facilities offered to customers based on accurate risk calculations, and to overlay lending policy rules and financial crime policies to support even more accurate and automated decisions.

Typically, the Experian platform is able to analyse data from the full range of available sources and return an onboarding 'answer' to a customer in less than one second. As an additional benefit, the platform is based in the cloud, making the solution extremely fast and easy to deploy and supporting an infrastructure-free 'pay as you go' charging model if required.

Combining data, advanced analytics and tools to operationalise insights in a single, end-to-end digital commercial onboarding solution

Commercial data

Advanced analytics models

Orchestration and automation

The key benefits of Experian Commercial Onboarding for lenders

By operationalising the right data at speed and scale, the Experian Commercial Onboarding solution allows institutions to make the most predictive, most accurate onboarding decision for the right customer – in moments. This not only reduces credit risk and strengthens portfolio resilience based on forward-looking affordability projections, but it also dramatically increases the efficiency of the onboarding process, while providing faster, simpler, more convenient experiences for business customers.

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The top benefits of the solution

Reduced credit risk

Based on a 360° view of the customer, including the business name, address, turnover, credit history and payment obligations and more – which all supports far more accurate credit and onboarding decisions.

Optimisation of onboarding for future success

Based on the ability to use internal and external data to identify new target customer segments or to understand which customers in the portfolio will still represent 'good risk' as the cost of doing business continues to rise. The onboarding strategy can then be adapted quickly and easily based on each institution's risk appetite by operationalising data through Experian's decisioning platform, PowerCurve.

Improved customer experiences and new competitive advantage

Based on faster, more convenient application and onboarding processes, ideally including some pre-population of application forms with data from public sources (such as Companies House). Faster, easier onboarding can help lenders to improve their customer experiences and compete effectively, while also helping to improve the quality of customer relationships and customer lifetime ROI.

Reduced financial crime and fraud risk – and compliance support with regulations

With the ability to 'check out' businesses (and their significant owners) from every angle before lending decisions are made. Specifically, the solution provides a dashboard view of financial crime risks and AML checks, helping to protect organisations and streamline compliance with regulatory requirements.

Reduced onboarding workloads and associated operating costs

With the ability to significantly reduce referrals for customer onboarding applications, thereby reducing manual interventions, workloads, and – ultimately – costs to the institution. With manual processing costs for each customer applications often reaching up to $200, even a small percentage reduction in referrals can quickly deliver very significant cost savings.

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Why Experian for commercial onboarding?

Experian is a proven partner with unmatched experience in customer decisioning, recommended by analysts and clients alike. We also offer high quality commercial data, with CAIS data and CATO data relating to 16.4 million commercial credit agreements and 6.1 million commercial current accounts.

The real value of working with Experian is the ability to access all of the data, analytics skills, economic forecasts and models and decisioning capabilities needed for highly accurate and automated onboarding that supports regulatory requirements, from a single supplier. This provides enormous operational time and cost savings compared to engaging with different suppliers for different datasets or for support with different stages of the onboarding process, helping our customers to increase their overall operating efficiency and profitability.

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Key Experian differentiators for commercial onboarding

Our trusted brand
Experian is the world's leading global information services company. We've been trusted with people and business credit data for more than 125 years and have built and implemented bespoke SME risk scoring models for over 30 years.

End-to-end commercial onboarding capabilities from a single supplier
We bring together data, analytics and decisioning capabilities to help institutions make the best onboarding decisions and deliver the best customer experiences in a way that is efficient, convenient and cost effective. We can also offer a single contract to cover all commercial onboarding requirements with the option to 'pay as you go' with no IT set up costs.

Support for continual onboarding improvements
With the ability to test, build, deploy and monitor decisions and strategies through our user-friendly, user-controlled platform that is intuitive, analytically advanced, and able to support continual improvements in your commercial onboarding strategy.

Market leading investments and innovations to help businesses succeed
We have invested heavily in accessing and leveraging new data and enabling new capabilities such as Management Accounts data and Open Banking to drive more effective decisions.

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> " To help commercial lenders succeed, we combine rich data sources with analytics tools and expertise, accurate economic forecasts from our in-house experts and innovative decisioning technology. We also engage regularly with major players in SME lending across marketing, data, software, KYB and Fraud Solutions, ensuring that our solutions continue to reflect current market needs and conditions. "

Nick Vanstone Head of Client Success & Consulting, Experian

> " Experian's new business originations decisioning system has enabled us to be much more efficient in how we acquire new customers. We have not only increased the amount of credit we lend, but have decreased our exposure to bad debt, while reducing our operational expenses. "

Serhan Pak SVP Credit Analytics, Garanti Bank

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Example customer outcomes seen from across our current customers

10% increase in predictive power from Commercial Delphi Gen 6 (gini 67) risk scores

50% reduction in application form length for a faster, smoother customer experience

Up to 90% reduction in time to approval for customer applications

80% onboarding cost saving through digitisation of the process

39% increase in lending and 140% in credit usage

15% increase in 'take up' of funds with e-sign and automated AML fraud screening capabilities

70%+ automated acceptance rate achieved for new customer applications

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*derived from client analysis, which remains anonymous

Take the next steps on your commercial onboarding journey with Experian

To discover how the **Experian Commercial Onboarding solution** can help your organisation to identify and onboard 'good risk' customers more quickly and cost effectively, while also streamlining the process for an excellent customer experience, <u>please visit the Experian website.</u>

You can also contact us today to set up a meeting, or for a personalised demo of the solution.

Take me to the website

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