

Fresh data drives novel insights post-covid:

How alternative and non-traditional web data can protect against fraud and risk and boost customer management in uncertain times



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Introduction by Herman Peeters

There is no doubt at all: the novel COVID-19 virus has impacted the life of everyone. From the beginning it has been clear that consumers and businesses alike were going to suffer from instability. Governments, and the financial services industry, have been quick to respond with a variety of economic support measures meant to soften the stress, and help control the financial and emotional impact, of the coronavirus for people and firms.

In the Netherlands as in many other nations, banks have instated 'payment holidays' of three to six months to help consumers and businesses that may struggle to meet their financial obligations. Meanwhile the Dutch government has created an 'emergency package for jobs and the economy'¹ that has some substantial support measures for business, including SMEs and the self-employed – two groups that are particularly vulnerable.

It is clear that a lot of businesses have already applied at banks and governmental bodies for financial support, and that for both – banks and government organisations – payment risks and fraud risks are increasing. The longer the COVID-19 crisis goes on, the worse the potential for these risks will be.

This is why we wish to present the potential of web data scoring based on real-time, non-traditional data in predicting fraud, risk, and NPL – but also in predicting with exceptional accuracy the 'good' clients and customers who will honour their financial commitments.

¹ See Appendix.

I. A continuing crisis makes for 'creative' credit applications – and substantial fraud costs

It is simple: if the COVID-19 crisis continues, companies applying for, or who have applied for and received economic support, will find that funding lines have vanished.

They will start seeking out alternative funding lines: via another bank, via leasing, via factoring, via crowd funding. The more funding lines that are closed (related to higher expected loss/possibility of bankruptcy) the more 'creative' those who want credit may become; hence application fraud and credit risk increase as the need for funding gets more urgent, and that urgency may also decrease the 'money morality' in certain segments.

In the Netherlands 123,000+ organisations have sought support from the NOW rulings; since April 2020, they have received around 9 billion euro to pay their employees' salaries²

There are undeniably opportunists that have already applied for governmental financial support for non-existent companies or shell organisations where no business activities are deployed at all; or support to pay the salaries of non-existent employees. In the Netherlands 123,000+ organisations have sought support from the NOW rulings; since April 2020, they have received around 9 billion euro to pay their employees' salaries². But there are increasing reports of irregularities and abuse of these rulings. This type of fraudulent activity will be damaging for those lending organisations offering COVID-19 related support: real fraud will ramp up their losses and can especially impact government which will have to take on more fraud costs. In this regard, Dutch banks are now expected to play a part in uncovering and preventing subsidy fraud³.

²<https://www.nieuwsszw.nl/noodmaatregelen-bereiken-25-miljoen-werkenden/>

³<https://www.fiu-nederland.nl/nl/fraude-met-een-uitkering-uit-een-corona-gerelateerde-regeling-0>

II. How web data scoring can help in customer management

Experian launched its innovative, web data-based business application risk index solution Web Data Insights (WDI) at the start of 2020. It would have been hard to predict how appropriate the timing for this launch was, as the coronavirus crisis came into full force in March.

Why is web data indexing so important since COVID-19 has changed the world?

The differentiator is real time data. (See Figure 1 for pre- and post-COVID-19 Combined Risk Scores.)

In a time of true unpredictability, as we wait daily to understand more about the economic and financial fallout from COVID-19, historical data can only give us a good picture of finance pre-corona; however, it offers limited insight into the financial changes occurring during the pandemic. WDI uses real-time (not historical) data. Then machine learning and advanced data science are deployed to generate entirely new predictive data variables. This results in models that enable lending organisations, including retailers and telcos, to add a COVID-relevant new dimension to credit risk management across the end customer cycle.

a. Web data scoring in originations & customer management

For example, to mitigate the expected increased risk in originations, WDI will give extra insights into the payment/fraud risks of the applicant. The use of alternative and web data can quickly identify suspicious applications, and with equal speed qualify the creditworthy. WDI assesses customer behaviour through on-line presence measurement. Highly relevant right now, it enables companies to add value to their existing matrix for portfolio evaluation.

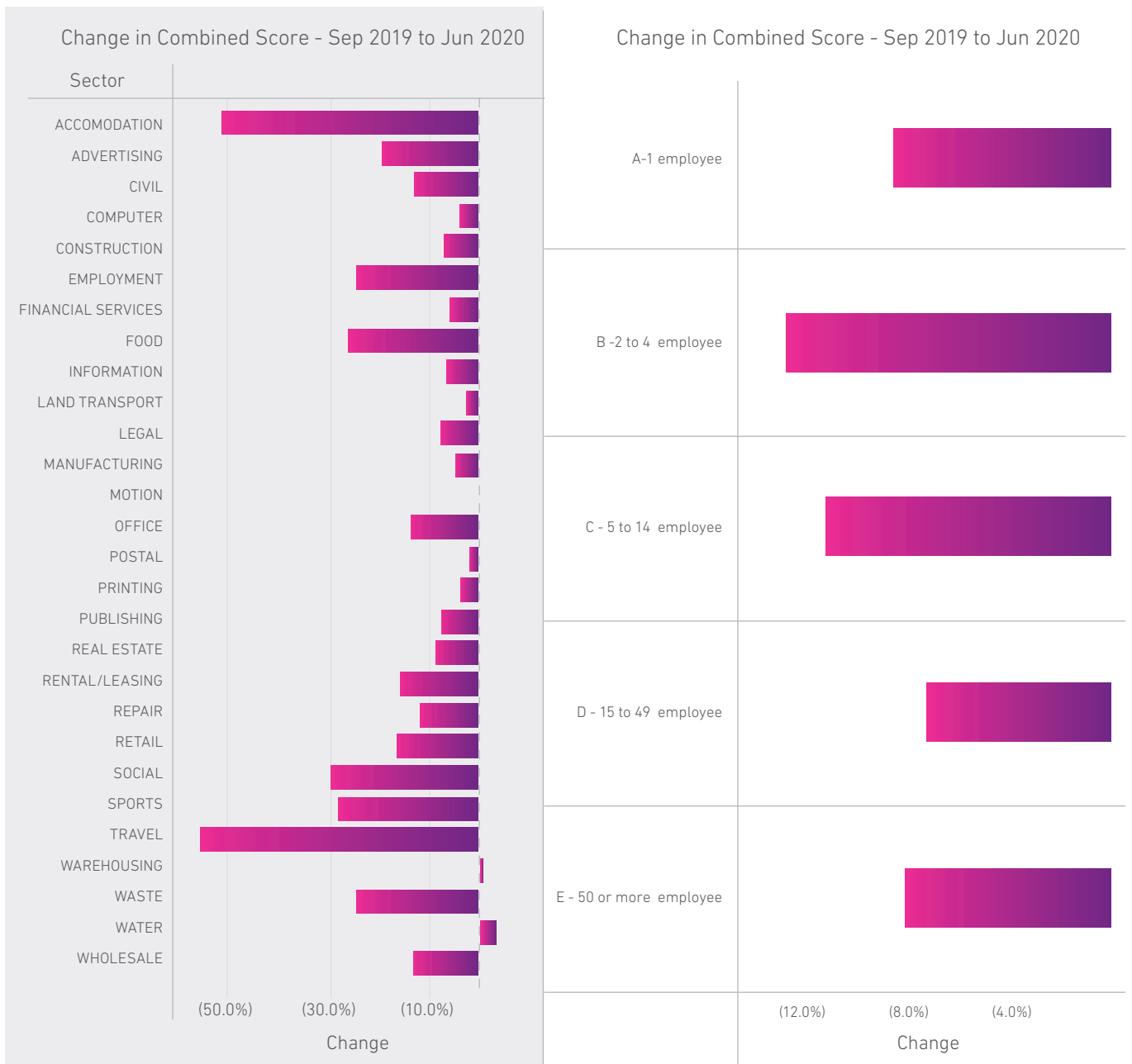
In customer management, WDI can provide great added value. Imagine an organisation's complete current portfolio being checked in batch, with the output used to segment the portfolio. High risk profiles in the current 'good books' are potentially the ones to target more pro-actively. Organisations may wish to contact these profiles early and discuss economic support measures such as forbearance and payment holidays.

b. SMEs benefit from web data scoring

The current period represents a difficult and even precarious time for SMEs. According to the World Bank, small and medium enterprises represent about 90% of businesses and more than 50% of employment worldwide. This is the moment to support SMEs to ensure a healthy future economy. There is a tremendous opportunity for SMEs and the SME market if lending organisations understand the needs that are evolving right now, during COVID-19. With the right web data scoring insights from WDI, banks and other organisations offering economic support measures will know who the 'real' SMEs are and how to provide the best support for them. This offers the opportunity to create business relationships that can last long beyond the impact of the pandemic.

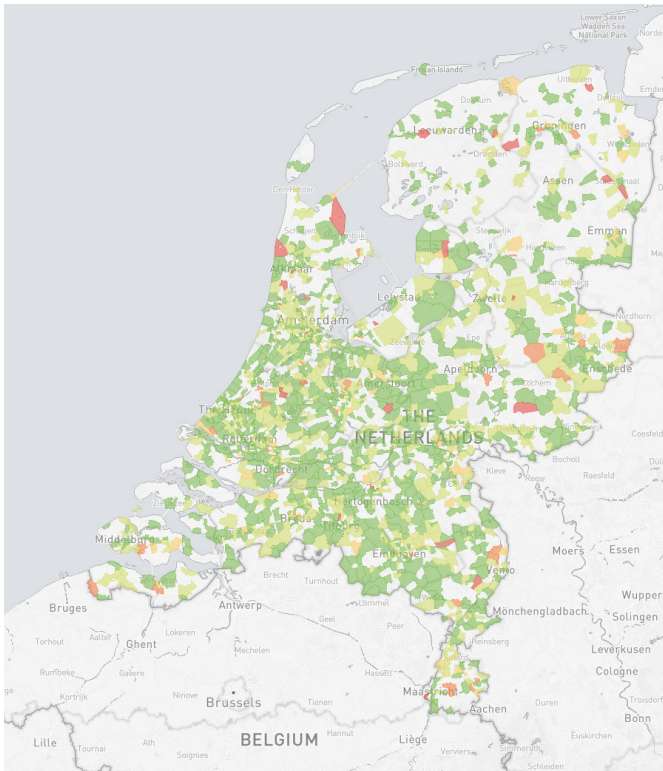
Figure 1: Risk Insights

Combined Risk Score with Traditional Finance Data and Web Data Insights

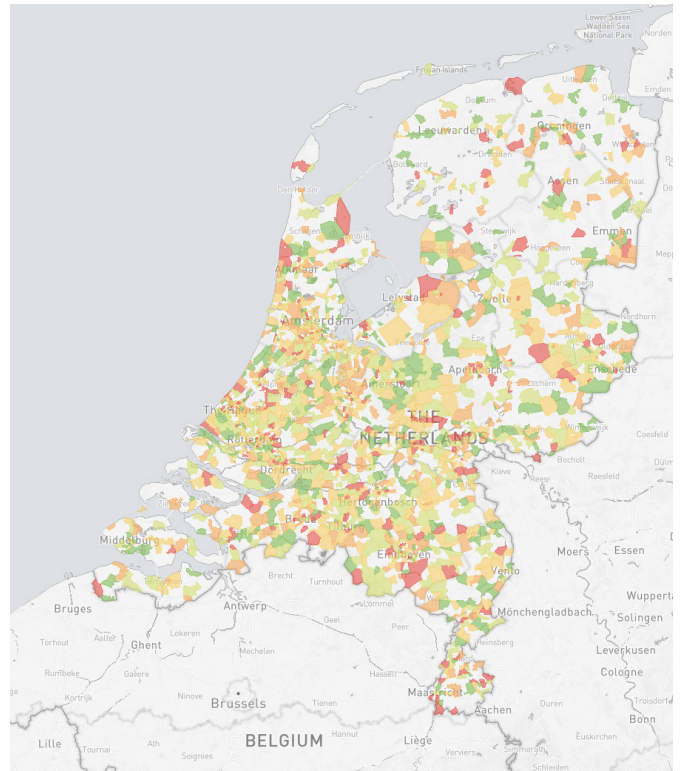


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Avg Combined Risk Score – Sept 2019



Avg Combined Risk Score – June 2020



A graphic illustration of the rapidly-changing average risk score in The Netherlands between September 2019 and June 2020⁵.

⁵ Graphic from Experian webinar 'Het Nieuwe Normaal: Niet-traditionele data in fraude- en risicobeheer beschermt u en uw klanten'. View webinar on demand: <http://go.experian.com/NL-WebinarSeries>

III. Batch scoring for targeted portfolio management – B2B and B2C

As organisations seek innovative and flexible ways to prevent fraud while protecting clients (especially SME), real-time web data enables a variety of opportunities for batch scoring for portfolio assessment. At a time of when the world is coping with the sweeping macro- and micro-economic shock engendered by the coronavirus, a batch approach to assessment is a pragmatic way to get specific, concrete insights into the portfolio. Web data also allows for a variety of simple-to-more-complex solutions around customer management and collections.

Some of these scenarios can be imagined:

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For Business to Business

Web Data Insights is the solution deployed by Experian in business customer management.

Business Customer Management & Early Collections Batches

- Increase insight of Credit Risk Current portfolio
- Active Credit Limit Management
- Set (Early) Collections Strategy
- Reduce bad debt in SME portfolio

In this scenario we look at a batch enrichment for B2B credit portfolios.

This will support portfolio risk segmentation and expose those businesses which require extra attention, or with credit limits that need to be tightened. Early collections strategies are set to make sure the best individual strategy is taken if a client enters collections. Predicts debt at risk and reserves required.

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For Business to Consumer

The Bureau Credit Batch is the adaptable solution deployed by Experian in consumer customer management and early collections. This rests upon information from the Experian Consumer Credit Bureau.

Consumer information through the Experian Consumer Credit Bureau

Next to the B2B solution scenarios above, Experian has scenarios to help business address their consumer customer management credit risk and early collections process with information from its Consumer Credit Bureau. Updated on a daily basis, the consumer data contains information about, for example, severe payment defaults, personal bankruptcies, payment status data and previous credit application searches. An up-to-date credit risk view can therefore be made from the consumer credit portfolio, helping credit lenders to make individual (and timely) customer management decisions.

Some of these scenarios include:

Consumer Customer Management & Early Collections Batches

- Increase insight of Credit Risk Current portfolio
- Active Credit Limit Management
- Set (Early) Collections Strategy
- Reduce bad debt in Consumer portfolio

In this scenario we address the particular issues of consumers.

This will support portfolio risk segmentation and expose those consumers where extra attention is required or credit limits need to be tightened. Early collections strategies are set to make sure the best individual strategy is taken if a consumer enters collections. Predicts debt at risk and reserves required.

Address and Telephone Enrichment for Collection Support

- Contactability within collection process

In this scenario we consider a batch enrichment with address and telephone to increase the contactability of consumers already in the collection process.

This will support companies with limited or outdated contacts to update the contact data and be able to more easily reach consumers in collections.

About the authors

Gerrit Bekker

Gerrit has more than 20 years of experience in analytics and data science in the insurance, banking and credit referencing industries including analytical modelling covering multiple disciplines and industries, data architecture, data warehousing and data management, as well as the development and management of analytical platforms and systems.

Herman Peeters

Herman has nearly 30 years' sector-specific expertise working for multi-national banking, automotive and financial services companies. His specialist areas include the full spectrum of risk, collections management and fraud prevention systems - from the application of emerging technologies and biometrics to transactional and payments fraud, application fraud, online, mobile and card-not-present fraud. Herman's track record includes the design, build, launch and delivery of top-performing digital on-boarding, fraud and collections models for numerous high-profile companies and global brands.

Bastiaan Truijens

Bastiaan brings almost 20 years of experience within Experian, in the areas of analytics, product & business consultancy and product management. His work focuses on the full credit customer life cycle from acquisition to customer management, collections as well as fraud. With experience in the banking and finance, telecom, utilities, DCA and eCommerce sectors, Bastiaan is currently working on new product propositions and innovation with an extra focus on data related products.

Resources and References

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Webinar Series Experian NL: <http://go.experian.com/NL-WebinarSeries>


Appendix



Rijksoverheid

Noodpakket voor banen en economie

Tijdelijke financiële regelingen

 = regeling is open

Tegemoetkoming inkomsten en salarissen		
	Voor wie?	Waar aanvragen?
Noodmaatregel Overbrugging voor Werkgelegenheid (NOW)	Werkgevers met tenminste 20% omzetverlies	UWV.nl
Coulance rond schriftelijk vastleggen vast contract 	Werkgevers	Belastingdienst.nl/coronavirus
Overbruggingsregeling zelfstandig ondernemers (Tozo) 	Zelfstandig ondernemers, waaronder ZZP'ers	Eigen gemeente
Tegemoetkoming Ondernemers Getroffen Sectoren COVID-19 (TOGS) 	MKB ondernemers die direct getroffen worden door overheidsmaatregelen**	rvo.nl/tegemoetkomingcorona
Uitstel belastingen		
Uitstel van belastingbetaling 	Alle ondernemers en zzp'ers	Belastingdienst.nl/coronavirus
Verlaging invorderingsrente 	Alle ondernemers en zzp'ers	Gaat automatisch
Verlaging belastingrentes	Alle ondernemers en zzp'ers	Gaat automatisch
Wijziging voorlopige aanslag 	Alle ondernemers en zzp'ers	Mijn Belastingdienst (Zakelijk)
Toerismebelasting	Bedrijven in horeca en vrijetijdbranche	Eigen gemeente
Versoepeling kredieten		
Verruiming Borgstelling MKB	ZZP en MKB*	Uw kredietverstrekker
Borgstellingskrediet Landbouw (BL) 	Agrarisch ondernemers	Uw kredietverstrekker
Garantie Ondernemingsfaciliteit (GO-regeling) 	MKB en Grootbedrijf	Uw kredietverstrekker
Qredits 	Zelfstandigen en mkb	Qredits.nl

* m.u.v. enkele sectoren, zie rvo.nl/bmkb

** mits fysieke inrichting buitenshuis en actief in geselecteerde sectoren

27 maart 2020

Meer informatie? Ga naar www.kvk.nl/corona
of bel het KVK-Coronalolet 0800 2117 (ma-vr 8.30 tot 17.00 uur)

An example of the financial support and 'extra room' offered by the Dutch government to preserve jobs and the economy.

We invite you to contact us:

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