Featuring research from Forrester

Innovation, smart data and the drive to customer-centricity

Third annual commissioned study conducted by Forrester Consulting on behalf of Experian

Contents

Welcome

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It's a privilege to be sharing with you the very latest in our annual industry reports, uncovering and analysing the key trends, emerging challenges impacting enterprises across Europe, and highlighting what your fellow decision-makers are doing to address them.

Demand for our annual insight reports continues to grow. This year, more than 700 CXOs and senior decision-makers across Europe's largest enterprises have contributed.

It's clear these are exciting times and they're challenging times. Many business leaders realise that their growth is reliant on agility and the ability to move at the speed of their market – or even faster. Success is now dependent on scale, innovation, spotting and adapting to new opportunities as soon as they emerge.

But to do this, businesses of all sizes accept there are critical challenges ahead. They need access to as large a data universe as possible, while ensuring they're armed with the analytical firepower to identify and inform the insights, before acting to continually ensure they best serve their customers.

Within the past 12 months we've also seen significant regulatory change that continues to put customers at the forefront of everything we do. We're now in a ground-breaking post-GDPR (General Data Protection Regulation) world, while the first phase of so-called Open Banking, in the shape of PSD2 (Payment Services Directive 2), is now a matter of months away across Europe.

It also means we've arrived at a tipping point, where long-term commercial relationships can be fundamentally improved thanks to a combination of the right insight and consistently accurate data. These in turn drive a far more comprehensive understanding of our respective marketplaces in ways that we never could before.

Inside, the research findings published are consistent, regardless of industry, with the business challenges we see right now across our entire global customer base.

As a strategic partner, they're ones we're also continually helping our clients around the globe resolve. By helping them deliver competitive advantages from vast quantities of data that are converted into smart, actionable insights and by leveraging the latest machine learning and artificial intelligence techniques, they can drive the very best outcomes for all.

Overview

Commissioned survey conducted by FORRESTER®

In August 2018, Experian commissioned Forrester Consulting to conduct a survey of over 700 business decision makers in Europe, the Middle East, and Africa. Respondents were responsible for, or had influence in, decision-making processes around customer data, analytics, risk and SME services. The study yielded the following key findings:

Firms are emphasising customer-centricity to compete in the digital era

The digital era has fundamentally shifted the dynamic between businesses and their customers. To compete, businesses must focus on building customer loyalty through customer-centricity. Businesses can differentiate themselves by ensuring a comprehensive 360-degree view of the customer, putting them at the centre and concentrating on their specific needs. The Forrester Consulting study found that businesses are continuing to focus on improving customer experience, and increasing trust and satisfaction - both are within their top five priorities for the next year. In their efforts to embed customer centricity, most firms are either already combining, or planning to combine, internal and external data to create a better view of the customer.

However, businesses face competition, legacy technology issues, among other challenges

Along with increased competition from both existing and new competitors, businesses struggle with legacy technology and the inability to make consistent decisions across channels. At the same time, firms have to cope with rising costs in a range of contexts, such as the cost per acquisition, cost to serve customers and collection costs. Additionally, there are the unique challenges when serving diverse customer segments such as SMEs, which firms in the study predict will be a significant portion of their customer base within the next three years. They report that high default risk and collection challenges are the top hurdles to serving SME customers.

Advanced analytics and emerging technology enable greater impact across the customer lifecycle

Firms are increasingly turning to advanced analytics to overcome these challenges and seize growth opportunities. Most are increasing budgets for advanced analytics, or keeping them the same, while also increasing their use of machine learning and AI across operations. They are focused on optimising customer experience and business outcomes at each stage of the customer lifecycle. Top priorities include: improving acquisition channels with additional data to enhance targeting capabilities; optimising customer-level decisions at the collection stage; and journey mapping to maximise customer lifetime value. To take advantage of growth segments such as SMEs, firms are undertaking a range of initiatives, such as ensuring a 360-degree view of the customer, and delivering 'next best offers' for higher risk applicants.

Section 1

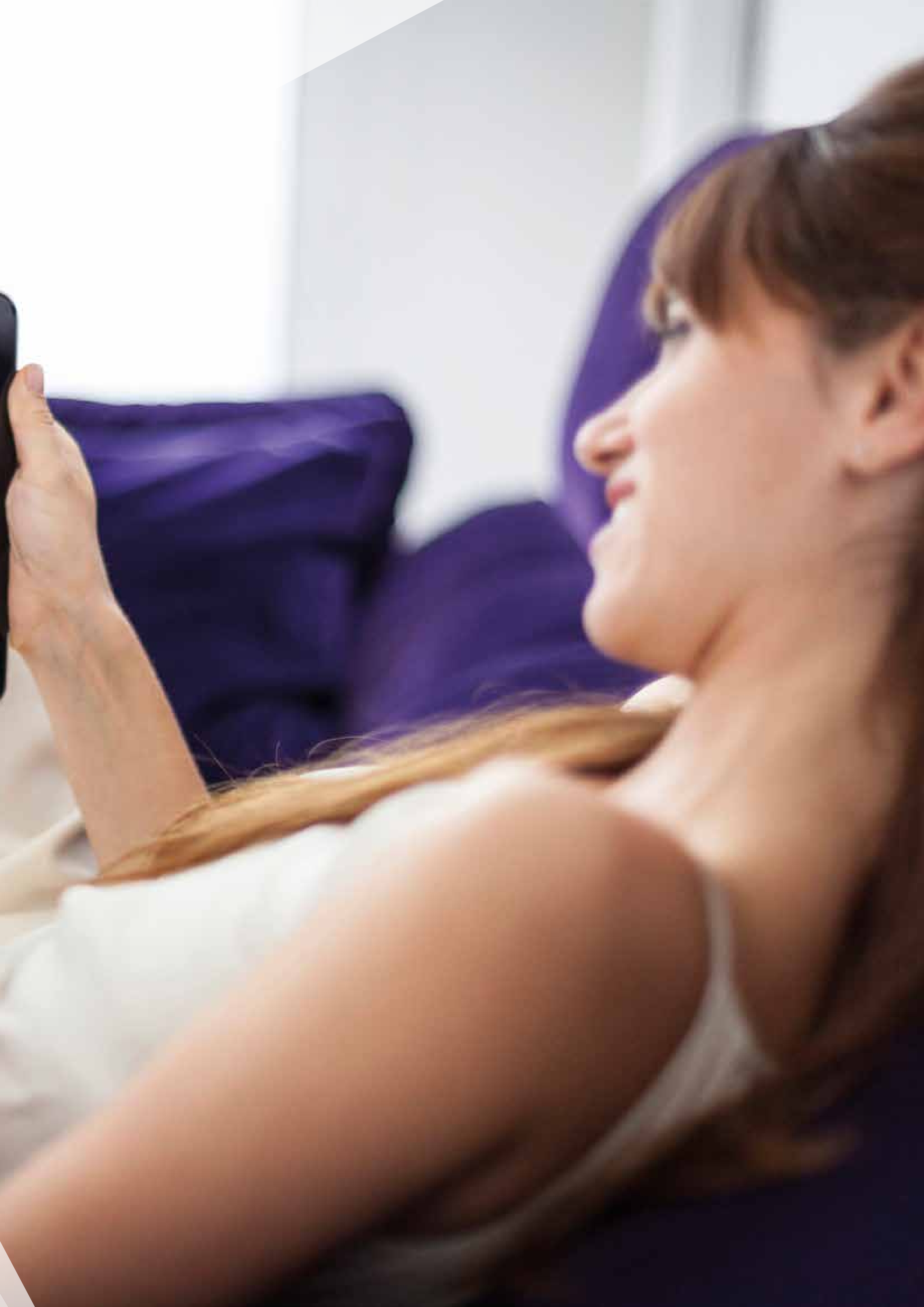
Customer-centricity in the age of digitisation

We have taken a deep-dive into emerging industry trends and your key challenges around customer-centricity and the drive to digitisation. Analysis includes a close look at a host of factors and the innovation that's having an impact on large enterprises across all sectors in Europe and beyond.

Crucially, we asked what steps business leaders and senior decision-makers are taking to address the challenges and retain a competitive advantage. It's now clear just how universally accepted among CEOs top-quality data, analytics and automation, are to business, industry and commerce.

But at the same time, there's acknowledgment of the ongoing power shift in favour of digital-savvy customers as they become further empowered by a raft of new legislation and regulation. Trust and consumer protection have also become the keys to unlocking lasting customer retention and long-term value.

Resourcing, manpower, disruption and access to the right data and top-performing technology, that can drive genuine insights, continues to heap enormous pressure on business.



The current situation and summary of key challenges

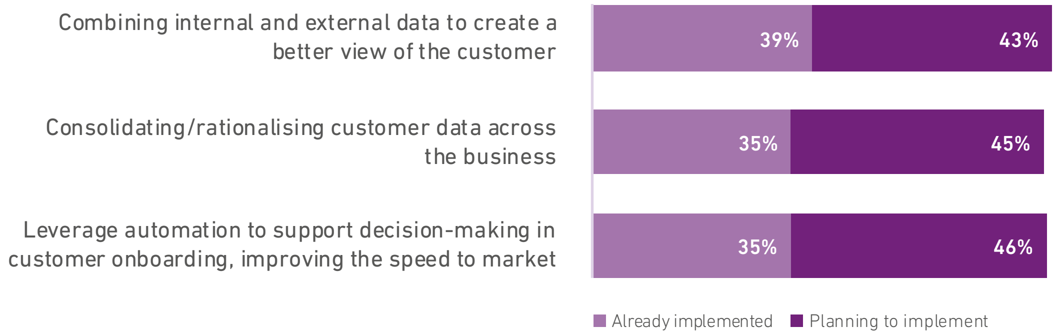
Customer-centricity is the key to winning customer loyalty. Businesses can win competitive advantage and differentiate themselves by treating customers better. Success hinges on ensuring a comprehensive 360-degree view of the customer, putting them at the centre and concentrating on their specific needs.

Relevant data is vital as business continues to focus on improving customer experience, trust and satisfaction, which are within their top-five priorities for the next year. They are also combining internal and external data to create a better view of the customer, while consolidating customer data across the business.

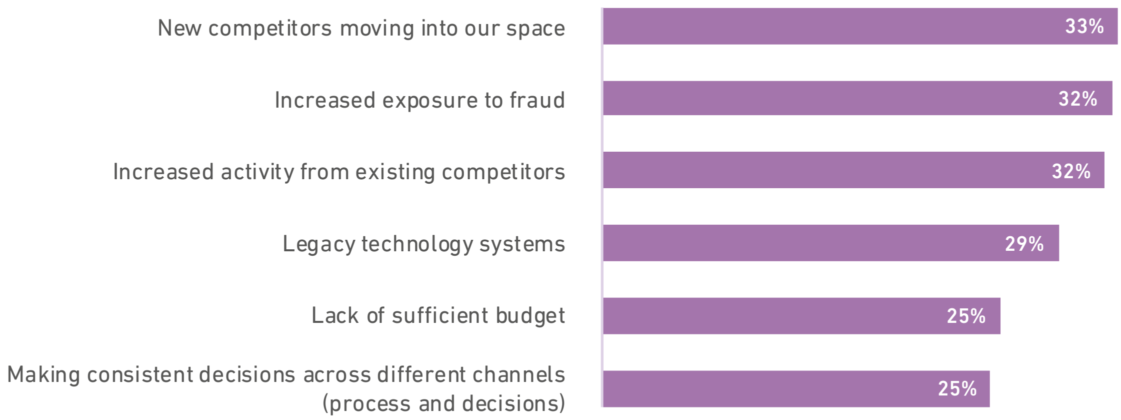
Finding new customers is one of the top areas and a key priority area for nearly half (47%) of businesses, which plan to expand their use of data and analytics even further.

Which of the following initiatives are likely to be your organisation's business priorities over the next year? Showing 'High priority' and 'Critical priority' combined.

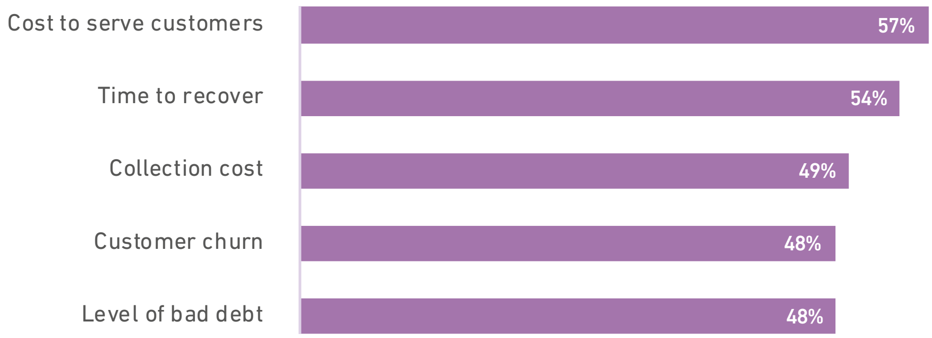
Which of the following customer journey tactics will you be adopting over the next 12 months?



What is prohibiting your firm from accomplishing these initiatives, i.e., what are your firm's biggest challenges?



To the best of your knowledge, how have the following business metrics performed over the last 12 months? (Showing total increased)



Base: 705 global managers and above with responsibility or influence over customer data, analytics, risk and SME services.

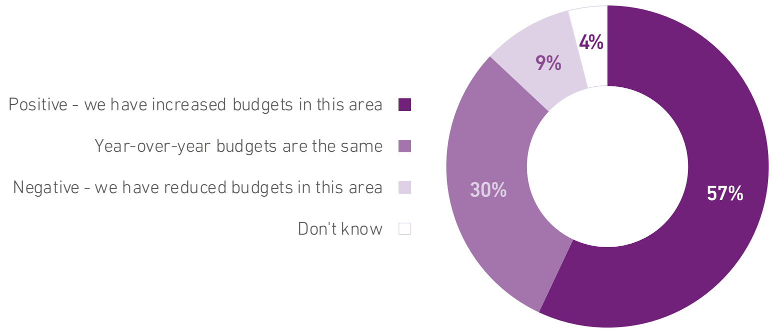
82%	It's now universally acknowledged by more than four out of five (82%) decision-makers, just how important data, analytics and AI are to business. There's also a high degree of self-awareness with many readily acknowledging the increasingly competitive pressures they now face.
28%	But more than one in four firms (28%) admit they are still not sure they're offering a friction-free experience for new customers. A similar number, (26%) also don't believe they're making the most of advanced analytics. Many admit they're under pressure as cost-of-acquisition and cost to serve continue to rise (+57%), while at the same time, nearly half say customer retention, fraud and bad debt are also proving challenging.
Data	Most decision-makers understand just how important data and the way it's used, is to consumers. They also realise significant numbers of data-savvy customers will be unforgiving and simply go elsewhere if their personal information isn't used in their best interests. The clear majority also accept that customer trust around data and customer service are also of critical importance.
72%	We're now in a hugely competitive post-GDPR (General Data Protection World) world. PSD2 (the Payments Services Directive 2) is also less than 12 months away and its impact looms large for many European organisations. But despite access to a mass of data, three-quarters (72%) of decision-makers readily admit that failing to get a reliable single customer view is hitting their profitability – and it's a situation that's worsening, given the number has almost doubled - up from 39% last year.
Key	Business leaders know their critical objective now, is to stand out by creating a competitive advantage and quickly developing and delivering their own 'disruptive models'. We outline on next page how and where the key commercial investments are being made.

Opportunities

It's possible to achieve competitive advantage by implementing a faster and easier onboarding process, applying analytics to consistently offer the most appropriate products by early identification of key lifestyle changes and implementing emerging technologies, such as machine learning and AI across operations, to help improve the ability to predict customer behaviour.

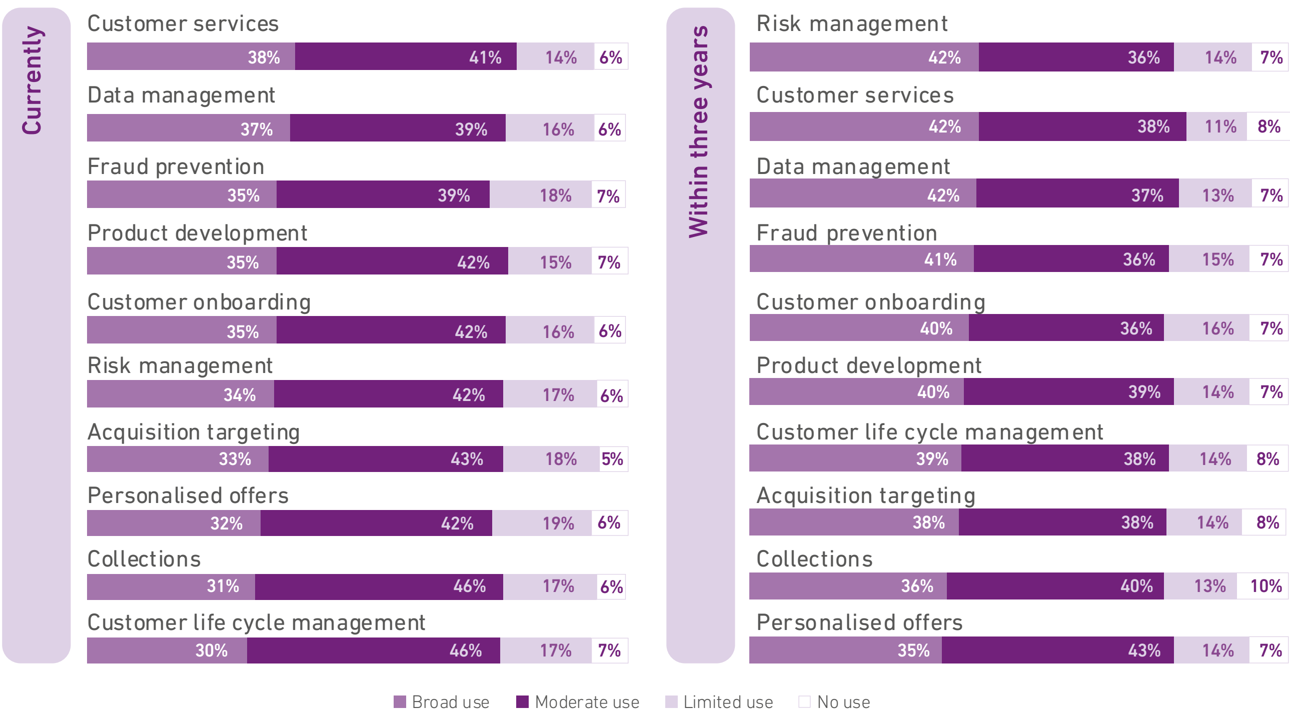
Many firms are increasing budgets for advanced analytics, or keeping them the same. Businesses are also increasing their use of machine learning and AI across their operations.

Please estimate your firm's year-over-year budget increase or decrease for the following areas in 2018 (or the closest fiscal year for your firm). Showing results for 'Advanced analytics'.



Customer services and data management are top use cases for machine learning/AI currently, and will continue to be over the next three years.

Q12 - To what extent does your organisation leverage machine learning/artificial intelligence in the following areas? How will this change within the next three years?



Base: 705 global managers and above with responsibility or influence over customer data, analytics, risk, and SME services

Source: A commissioned study conducted by Forrester Consulting on behalf of Experian, August 2018

How customer-centricity is driving investment

+70%	Within the next 12 months, a clear majority (+70%) of firms surveyed say they are set to invest in improving customer experience, data and information security. In fact, all three areas are now regarded as very high priorities for nearly all CEOs across the EMEA region.
75%	Unsurprisingly, ensuring a seamless customer experience also continues to be a very high priority among three-quarters (75%) of firms. More than two-thirds (71%) of decision-makers want to ensure they consistently offer personalised products to their customers. A similar number, (67%) also plan to invest in advanced analytics.
CEOs	The findings are broadly consistent with 2017's commercial priorities - although it's clear they're becoming even more marked as competitive pressures from disruptors mounts. It's worth noting just how high the aspiration for customer-centricity now is in driving digital investment across EMEA, with a clear commitment from nearly all CEOs for budgets to be either increased, or maintained, to ensure commercial competitiveness.
37%	To get ahead, businesses have also been busy investing in top-performing digital platforms where they can, with a significant number of CEOs (70%), saying they now believe they provide a best-in-class digital service – marking a two-fold jump from just 37% last year.
+80%	Four out of five firms (+80%) confirm they've now turned to advanced analytics use – and its adoption is predicted to become even more widespread within the next three years. Its use is now almost uniform across most business areas - except in collections.
23%	Analysis shows AI's adoption in collections is still a challenge for one in four (23%) firms, while one in ten (11%) CEOs say they don't plan to use it all anytime soon. The biggest use of machine learning and AI is in customer service and data management with 38% of respondents confirming broad adoption in these areas.
+40%	But that looks set to change within the next three years, when nearly half of all decision-makers (+40%) firms say they expect the use of machine learning and AI to be far more prevalent in risk management and fraud prevention.
80%	Customer experience and automation are regarded as the key areas of interest for the vast majority (80%) of decision-makers, with around a third (35%) having already leveraged them to help support decision making in customer onboarding. Of the rest, around half (42%) say they plan to implement automation in the next 12 months.
27%	Regulation and compliance are also an ongoing concern for more than a quarter (27%).

Budgets versus costs

Research shows year-on-year budgets are being increased in all key areas – including analytics, insight, fraud and automated SME servicing. In fact, more than half (57%) of firms say their budget for advanced analytics will increase within the next year, while more than a quarter (30%) expect it to stay the same.

57%

But there are several key challenges for many EMEA businesses including cost-of-acquisition, which continues to rise for more than half (59%) of all firms. A similar number (57%), say cost-to-serve is still increasing. Elsewhere, fraud, churn and bad debt continue to be a big challenge for nearly half (48%) of CEOs and senior decision makers.

48%

It's clear the numbers suggest many firms still face market and fiscal challenges when it comes to safeguarding their profitability, but they are all determined to adapt to retain and win a greater market share.

Win

Firms' biggest challenges

Around a third of decision-makers say the top three challenges inhibiting their firms from achieving their objectives are new competitors moving into their space (33%), increased exposure to fraud (32%), increased activity from existing competitors (32%) and legacy technology systems (29%).

33%

Does it reflect over-confidence? It's worth noting competitive concerns are still very high and may highlight the commercial impact and potential dominance across multiple sectors global giants could have – from Amazon to Alibaba and beyond. On the flip-side, it's also clear there's acute awareness of the rise of lean, new-to-market disruptors, with around a third of decision-makers (33%) acknowledging their impact. But collections and the ability to spot at-risk customers continues to pose enormous challenges for businesses across EMEA.

33%

Customer-centricity, speed to spotting vulnerable or at-risk customers and the need for early warning signs

More than three-quarters (75%) of decision-makers believe their organisation is effective at seamless and fast onboarding of new customers, while a similar number (75%) say they're effective at targeting and winning new customers.

But a sizeable number, representing nearly a third (30%) of decision-makers, admit they're ineffective at identifying at-risk customers.

It's clear therefore that existing early warnings signs are not working and continue to be a critical challenge for around a third. (27%). It's a trend that appears to be getting worse, given that this time last year the figure stood at around 13%.

But CEOs also readily accept collections continues to pose a rising challenge for more (30%) – especially when compared to 2017, when the figure stood at around one in 10. (11%)

Expert viewpoint - Customer experience has now become the top challenge

Herman Peeters
Senior Global Consultant, EMEA
Experian Decision Analytics

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.

Digital Onboarding

Customer
Customers require a simple and intuitive onboarding process, which does not require signatures and paper documentation, limits manual input and ends with a timely proposal

Companies
Companies need to comply with anti-money laundering and KYC regulations. They have to face fraud and credit risks linked to a contract signed without a face to face check

Customer Experience
Data collection, Identification, Contract signature

Risk Management
Fraud, Credit

Compliance
KYC, AML, Contract signature

Plugging in to machine learning

It's clear automation is vital for both your customer service and risk management. With the help of AI and machine learning, business also has opportunities to steal a march on the competition and make themselves 'a disruptor' by creating their own faster, smarter, seamless delivery models.

Customer-centricity is clearly the key to winning long-term customer loyalty. But success hinges on ensuring a comprehensive 360-degree view of the customer and always ensuring they are the top priority and concentrating on their specific needs.

Right now, many organisations are still typically blighted by siloed-thinking with mixed customer messages and approaches - for instance marketing versus collections. But it's possible to win a competitive advantage with the adoption of faster on-boarding, predictive analytics to help consistently offer the most appropriate products and early identification of key lifestyle changes.

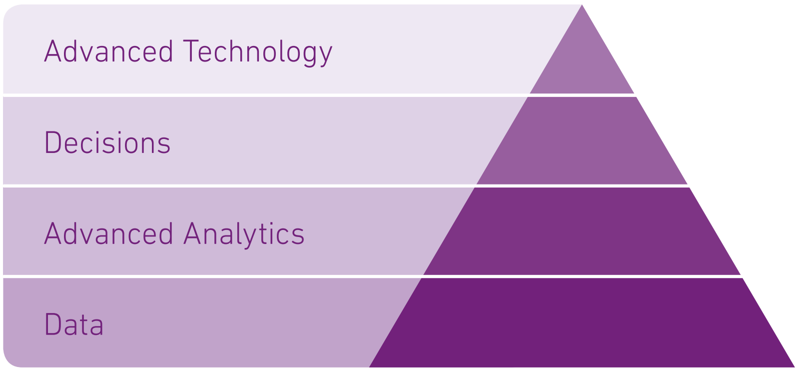
Customer experience and automation are key areas of interest for the vast majority of decision-makers, (+80%) because it's clear our digital world is making us all far more impatient. Many customers will rarely tolerate more than an eight-minute online transaction, from start to finish, before abandoning it completely.

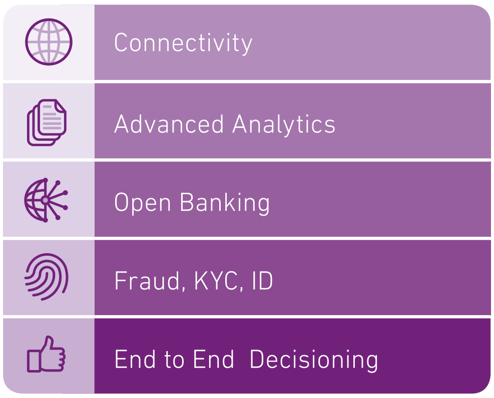
And when a customer has gone elsewhere, they've often gone for good.

Clearly, it's vital businesses get into a position to ensure they consistently offer agile, flexible and secure digital channels. At the same time, there's also an entire generation of digital-savvy customers that regard paperless transactions as a mandatory expectation.

Research shows around a third (35%) of firms have already leveraged automation to support decision-making in customer onboarding, while nearly half (41%) plan to implement in the next three years. But for many there is still plenty of work to be done when it comes to delivering seamless online channels.

Five enabling capabilities





Big data is getting bigger - by the day. Around 90% of the world's data was created in the past two years. By 2020, it's predicted the same amount of data again, will be created every minute.

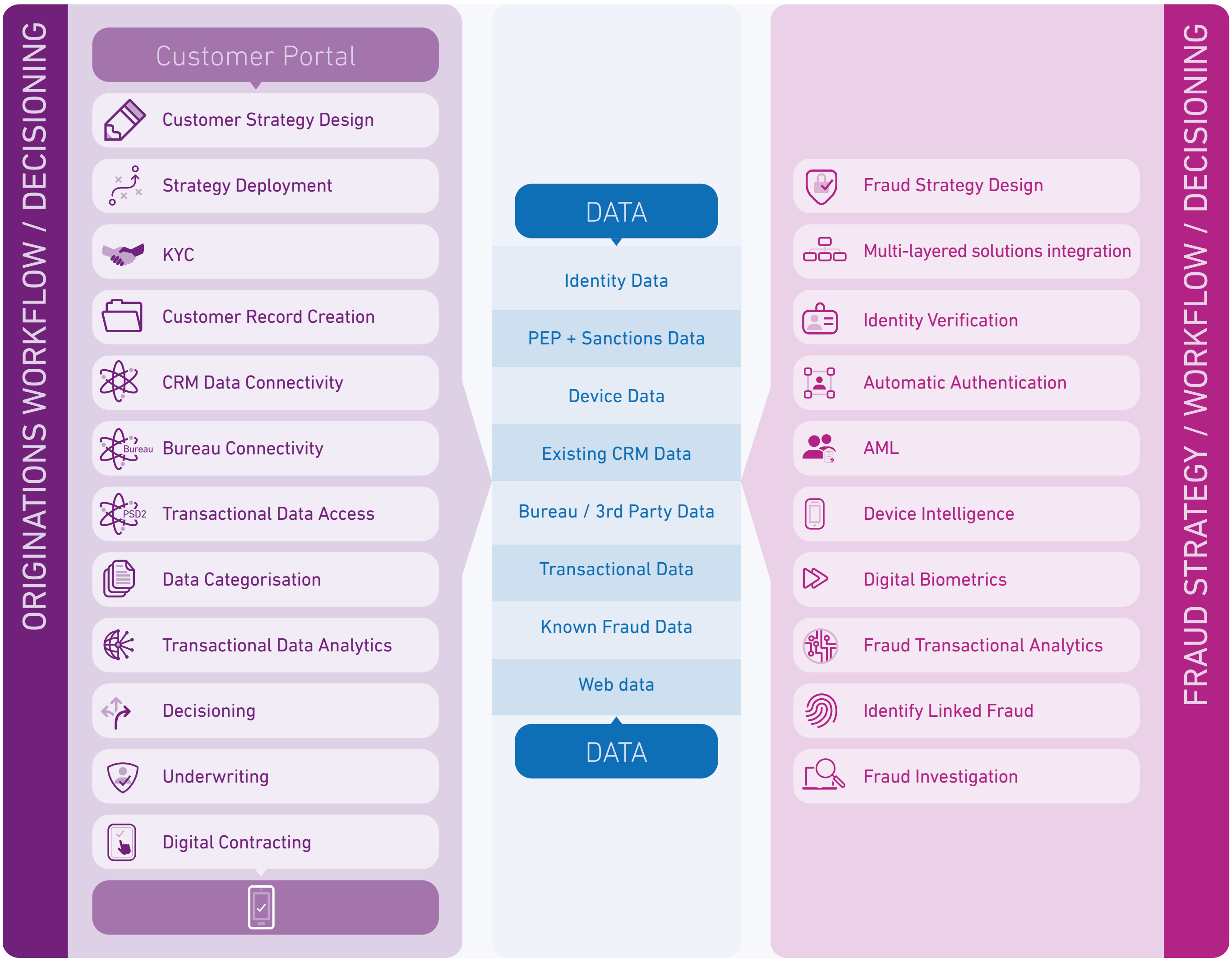
It's also well understood that more data brings more opportunity and underpins everything we do. But to realise that potential, the relevant insight must be extracted and interpreted – before any appropriate decision can be accurately informed. Thankfully, technology has advanced almost as quickly as our data universe has expanded, and today's analytics can make better sense of the mass of data – at scale, at speed – and more accurately than any human.

Despite a clear majority (+80%) of CEOs and senior decision-makers readily acknowledging the importance of data and analytics as key areas of investment, around two in five (40%) admit they are still relying on instinct and subjective opinion, instead of quantative analysis.

We believe that everyone should have access to analytics when creating new thinking, new models and new learning. To enable even more businesses of all size to build their own predictive models, develop strategies, machine learning and artificial intelligence techniques, a new, powerful, open-source solution has been launched to help our EMEA business clients harness the benefits of big data.

The innovation is underpinned by open-source technology and allows businesses of all sizes to develop specially-tailored strategies. By helping drive even more accurate and well-informed decisions, will ultimately bring better services to market, faster and more appropriate outcomes for customers.

Behind every seamless customer journey lies a virtual back-office with multiple capabilities



Meeting digital customers' expectations without falling foul of fraud or impatience

We're an impatient lot it seems and 'friction' comes at a cost, regardless of the pace and innovation in technology. Success in the digital economy hinges on ensuring fast, secure access via multiple channels when it comes to winning, retaining and safeguarding genuine customers.

But while customers expect to see a 'seamless' friction-free journey, from start to finish, data – and access to the right data – is vital to business in informing multiple steps at, or close to real-time, en-route to a successfully completed transaction.

Failure to deliver a friction-free journey costs in abandoned transactions and lost business.

The true scale of lost revenue was recently highlighted in by recent research which showed uncertainty and the fear of fraud prompts many businesses to simply reject legitimate customers out of hand.

In fact, according to the Experian Global Fraud and ID Report 2018, more than 70% of business leaders know that they block far more genuine transactions than they should. At the same time, up to 84% admit the need for fraud mitigation could be reduced - if virtual back-office systems were improved and they could be certain about their customers' identity.

Section 2

Successful routes to servicing the SME sector

The numbers speak for themselves when it comes to the value SMEs represent to our economic well-being and future growth. In fact, the OECD (Organisation for Economic Co-operation and Development) regards SMEs as the dominant form of enterprise across its region. They account for approximately 99% of all firms, provide the main source of employment - for about 70% of jobs on average - and are major contributors to value creation, generating between 50% and 60% of value on average. In emerging economies, SMEs contribute up to 45% of total employment and 33% of GDP.

But these are generally regarded as conservative estimates. When taking the contribution of sole-traders and informal businesses into account, SMEs are believed to contribute to more than half of employment and GDP in most countries - irrespective of income levels. In addition, SME development can contribute to economic diversification and resilience. This is especially relevant for resource-rich countries that are particularly vulnerable to commodity price fluctuations.[1]

Despite their value, the critical challenge remains when it comes to analysing, selecting and serving the SME sector.

[1] Enhancing the Contributions of SMEs in a Global and Digitalised Economy - OECD publications, June 2017 www.oecd.org/mcm/documents/C-MIN-2017-8-EN.pdf

Analysis of the current SME situation

SMEs are underpinning the economy in many countries. It is therefore in the interest of regulators and government that they are healthy and prosperous. With an increasing portion of the working population in many countries being defined as sole traders or working for SMEs, the sector is potentially a massive growth area for firms, offering high lifetime value.

Businesses are now actively looking to take advantage of the growth of the SME sector - they report increased budgets for SME services and fully expect their SME customer base to grow significantly in the near future.

39%

Given the value and potential they represent, it comes as little surprise that within the next three years 39% of firms expect SMEs to make up more than a fifth of their customer base.

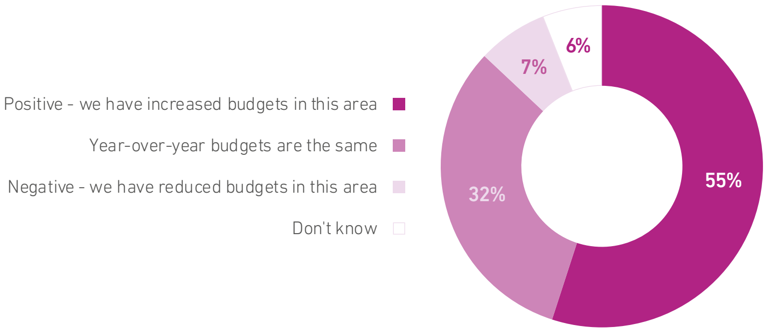
10%

In fact, for nearly half of all firms (43%), SMEs account for less than 10% of their current customer base. But we are set to see a seismic shift within the next three years, when SMEs are expected to make up more than a fifth of the customer base for 39% of firms.

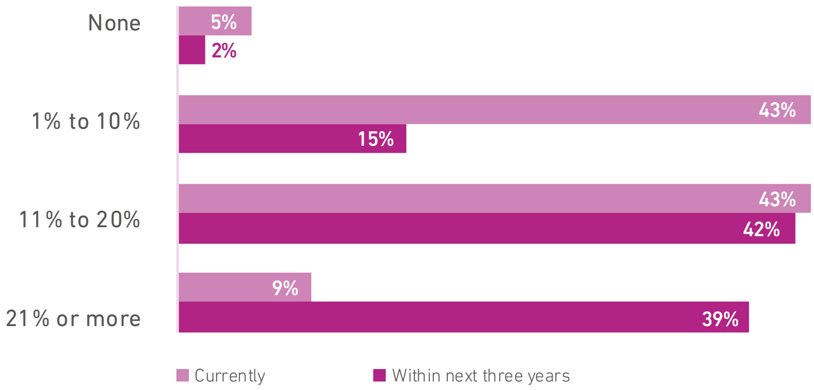
21%

It's clear risk appetites towards SMEs are softening and are now regarded as a key area of investment for many. Right now, only around one in 10 (9%) firms say that a fifth (21%) of their customer base can be defined as SMEs. Below, we outline the key trends, approaches and routes to success when it comes to serving SMEs.

Please estimate your firm's year-over-year budget increase or decrease for the following areas in 2018 (or the closest fiscal year). Showing results for 'SME services'.



To the best of your knowledge, what proportion of your firm's customer base could be defined as SMEs? How will this change within the next three years?



Base: 705 global managers and above with responsibility or influence over customer data, analytics, risk and SME services.

Classification of SMEs

34%

The classification of SMEs is still very confused. Some lenders treat them as corporate customers making them expensive to serve, while others try to treat them as a retail customer, which doesn't suit SMEs. Only around a third of businesses currently have a dedicated SME division. (34%). Right now, there is a very poor consensus among businesses as to how best to define and serve this hugely valuable sector. Some companies base it on turnover, some on the number of employees.

OECD definition

€50M.

SMEs are defined as small or medium sized enterprises if they have less than 250 employees and not more than €50million turnover, or a balance sheet of less than €43million. At the same time, no more than 25% of its shares can be owned by another business.[2]

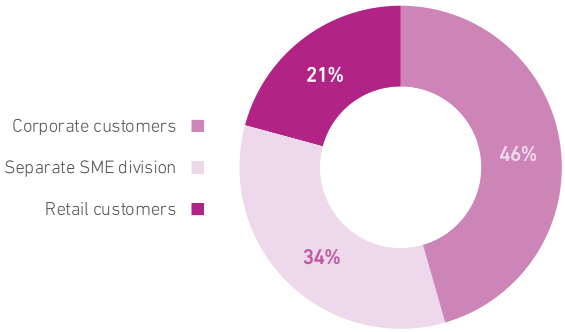
Challenges

Due to scarcity and limited access to viable data sets, organisations find it challenging to analyse and select high-quality opportunities. Firms also struggle to organisationally handle SME portfolios, with some placing the segment within retail, while others put SMEs in corporate customer segments. Servicing the SME sector is also challenging due to a high default risk, diverse needs of the segment, and differing price points for services.

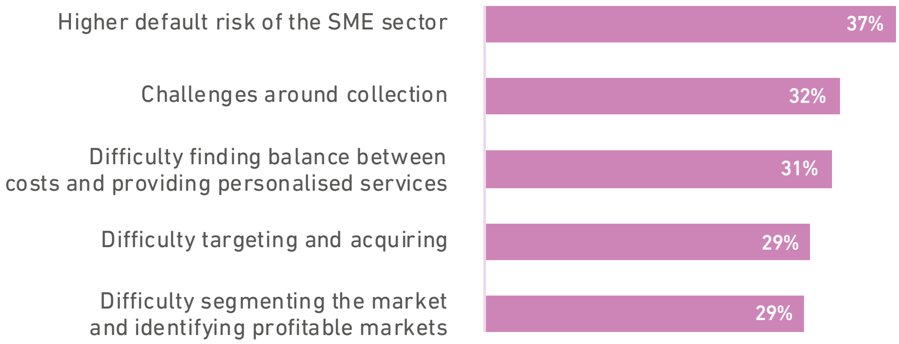
Research show there is no clear consensus on how firms should organisationally handle SMEs, with some treating the segment as corporate customers and others treating them as retail. The definition of SMEs also varies widely. Firms report that high default risk and collection challenges continue to be the top hurdles to serving SME customers.

[2] Statistics Directorate - OECD
www.oecd.org/mcm/documents/C-MIN-2017-8-EN.pdf

Under which division of your organisation is your SME portfolio housed?



What are the main challenges experienced by your organisation when it comes to serving SME customers?



Base: 705 global managers and above with responsibility or influence over customer data, analytics, risk and SME services.

Common challenges posed by SMEs

Consistently defining how SMEs are best served and fitting them in to the portfolio continues to pose a headache for financial services firms right across the EMEA region.

31%

In fact, around a third of firms admit they're are unsure (31%). Some lenders treat SMEs as commercial customers, resulting in high-costs to serve. Others simply hand them off to retail banking arms, which often doesn't suit SMEs. At the same time, more than a third (37%) of businesses regard SMEs as a high default risk and as posing collection challenges (32%), while one in four simply admit (25%) they don't have any experience in serving them whatsoever.

26%

A similar number, (26%) say they're uneasy at the distinct lack of data when it comes to serving this segment, while the acute challenge of finding balance between costs and providing personalised services proves tricky for one in three. (31%)

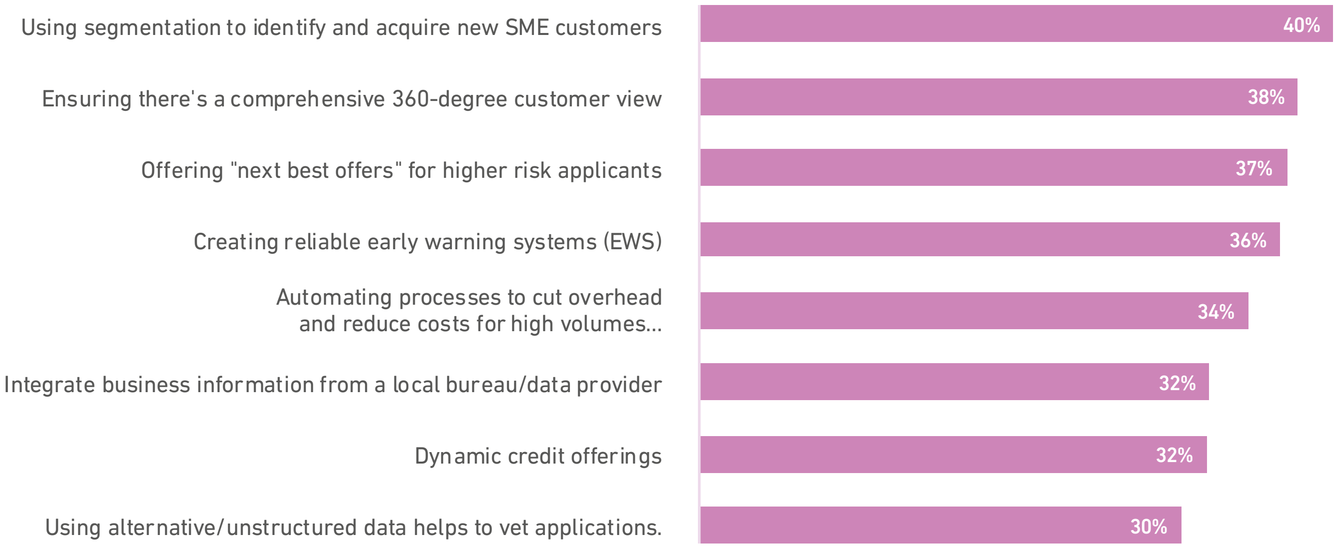
The SME sector's diverse size, characteristics and needs also prove difficult for many firms, along with a fundamental lack of internal expertise on the SME sector.

The SME opportunity

Firms can capitalise the potential of the growing SME market by using alternative or unstructured data to help vet applications, setting scorecards to critically weigh against or in favour of key factors, automating processes to cut overheads and reduce costs for high volumes of lower-risk applicants.

Alternatively, ensuring there's a comprehensive 360-degree customer view and providing dynamic credit offerings to drive long-term customer loyalty, as well as 'next best offers' for higher-risk applicants.

Which of the initiatives below is your firm undertaking to improve your products and services for SME customers?



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Sizing the market appetite and opportunities for SME initiatives

Firms are attempting to apply segmentation and get a 360-degree customer view to improve their products and services for SME customers. Three key areas are driving opportunities and initiatives in this hugely lucrative sector. They are:

Adoption of alternate data sources
There's a clear appetite (30%) to consider adopting alternative data sources. Clients partnering with us are continually asking for us to look for numerous options including regional bureaux, or analysis of directors' prior commercial backgrounds, wherever possible. Web-harvesting underpinned by machine learning has also proved effective in delivering a more complete picture of SMEs and their principals.

Automation drives faster decision-making with Early Opportunity Models
Unsurprisingly, automation is also proving effective for many clients pressed for time and resources. As a result, they're coming to us to get help in applying automated solutions to speed up and ensure more cost-effective decision-making along with an early opportunity model that offers smart, pro-active and appropriate credit limit modelling.

Adopting machine learning to drive data categorisation
The third and most popular option among clients serving SMEs, has proved to be the adoption of machine learning to drive data categorisation, which analyses real-time affordability and cash flow.

It's already proved successful in several key European markets thanks to the system's ability to assess and clearly define SME risk versus opportunity based on available and reliable predictive analytics.

Experian has already invested heavily in a categorisation technology platform to support the SME sector. It will not only work out accurate cash flow forecasts for SMEs within a matter of seconds, but will also deliver other crucial insights when lending to SMEs - including next best offer recommendations, analysis of other business interests, alternate sources of income, as well as delivering critical fraud indicators.

The other major innovation for the platform hinges on its adaptability with client APIs, which can easily be integrated directly to their accounting software to enable automatic access to SMEs' financial data. By then applying machine learning and clustering techniques, analysis and scoring can accurately calculate multiple elements of financial data - including risk ratios, cash flow, cash flow cycles and profit forecasts – vital insight that further underpins the verification of SME information, automation and improved customer service.

Of the three systems developed, research suggests segmentation of the sector is a priority for nearly half (40%), while effective early opportunity models are regarded as a key area of investment for more than one in three (36%) banks and lenders. But despite the broad unease at the lack of available data on the SME segment, around a third of businesses (34%) are also keen to press ahead and use machine learning to help automate their specific offerings to help reduce costs, where they can.

Data, technology, emerging regulations and evolving opportunities

There are several key regulatory and technological drivers for change that can now help support SME lending decisions and helping make the sector even more viable.

Explosion of data

The growing digital transformation of the economy, thanks to connected technologies including mobile, tablets and social media, has generated an explosion of data and the ability to access it. This expansion of data has meant that a better understanding of the SME customer's needs, motivations and creditworthiness are now possible.

New technology

We are also at a tipping point with innovation as to how this mass of data can be used, as new technologies are now able to extract new insights from datasets that have only recently become available. Artificial intelligence and machine learning are also key evolutions in the delivery of ever-more insights and real-time data processing to facilitate faster lending decisions. This is achieved because these technologies enable the most relevant data, appropriate to SMEs and their unique financial circumstances, to be consolidated to give a full picture of their financial behaviour, habits and traits. It's this drive to speedier to decisions that may have historically driven poor lending decisions around credit worthiness, but innovations around data and technology have allowed streamlining, robotics and ever-more robust assessment process to be developed.

Changing SME expectations

At the same time, new technologies are changing habits, behaviour and expectations. SMEs along with consumers in general now rightly demand wider and quicker access to products and services including more personalised offers. They are also becoming less tolerant to delays. Lengthy forms, friction and sluggish progress quickly leads to impatience, frustration, abandoned credit applications and lost sales. While face-to-face contacts are disappearing as part of the process, it is expected lenders be more transparent and ensure the bureaux used, cloud storage systems and customer data are secure and appropriately safeguarded.

New legal frameworks are opening access to even more data

A new and emerging legal landscape has prompted legislators and regulators to ensure that the borrowers are at the centre of all policy and guidance. This includes GDPR, designed to empower and protect citizens on the use of their personal data, while PSD2 is expected to open competition even further with the more flexible use of data – subject to customer opt-ins. This new regulatory framework is allowing more datasets to be made available for creditworthiness assessments.

Thanks to PSD2, borrowers are now empowered to share their bank transaction data with third parties – if they believe it's in their best interests. So-called 'data portability rights' recognised by the GDPR, which allows consumers to transfer their data from one organisation to another, permits the wider use of non-credit data including gas, electric, water, broadband and mobile phone payment information to be used for creditworthiness evaluations. Elsewhere, widespread digital transformation is creating new possibilities for public data to be shared with and used more broadly by lenders.

PSD2 and the broad move towards the culture of so-called 'Open Banking' will have an impact on SME customers. Right now, it only applies to consumers. But it will underpin a natural move towards SMEs - and plans are already being put in place by many banks - to further help stimulate lending to the sector and overcome a key challenge by ensuring access to capital is easier.

Section 3

Winning customer service with smart data, analytics and machine learning

AI and the adoption of machine learning techniques, are best regarded as a large framework made up of numerous distinct capabilities. On the one hand focusing on capturing seemingly disparate pieces of consumer information, while the others focus on organising the data, analysing and applying it appropriately. But thanks to the mass of available data, cheap storage, faster processing and widespread connectivity are now raising AI's performance to new heights.

While machines are tasked tackling the conceptual time-consuming number-crunching work humans used to do – and in a fraction of the time - AI systems can't do everything. By pairing then with humans and other technologies helps ensure an evolving performance with consistently improved customer service and faster back-office processing.

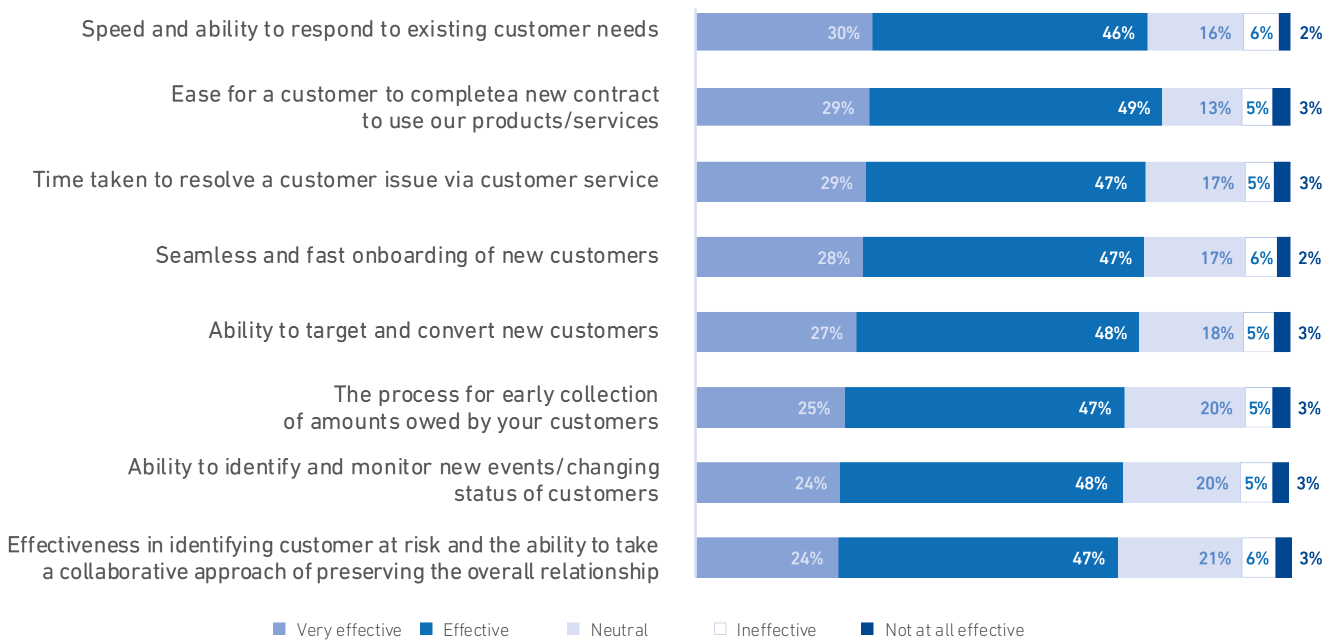
There may, of course, be challenges en-route to implementing AI systems, including poor data quality and unreliable sources, but improving AI's continued performance on an on-going basis is also fundamentally reliant on continual optimisation.

Analysis of the current situation

To drive long-term customer loyalty, firms must also ensure they are focused on the latter stages of the customer life cycle, including customer management and collection. Firms report they are not equally effective across all stages of the customer lifecycle.

Most state that they are effective at responding to customer needs, and resolving customer issues, but are less effective at identifying at-risk customers.

How would you rate your organisation's effectiveness across each of the following stages of the customer's journeys with you?



Base: 705 global managers and above with responsibility or influence over customer data, analytics, risk and SME services.

Where AI and machine learning are driving key commercial investments and priorities for the next 12 months

During the next year, more than three-quarters (+70%) of firms consider improving data and information security, along with investments in better customer experience. Ensuring a seamless customer experience continues to be a very high priority among nearly two-thirds of businesses (60%). While around three out of four (+70%) of decision-makers want to consistently offer personalised products to their customers. 87% plan to increase budget for advanced anlaytics, or keep it the same.

But research also shows that more than a quarter of firms (28%) are not sure they're offering a friction-free experience for new customers. At the same time, around a quarter (26%) also don't believe they're making the most of advanced analytics.

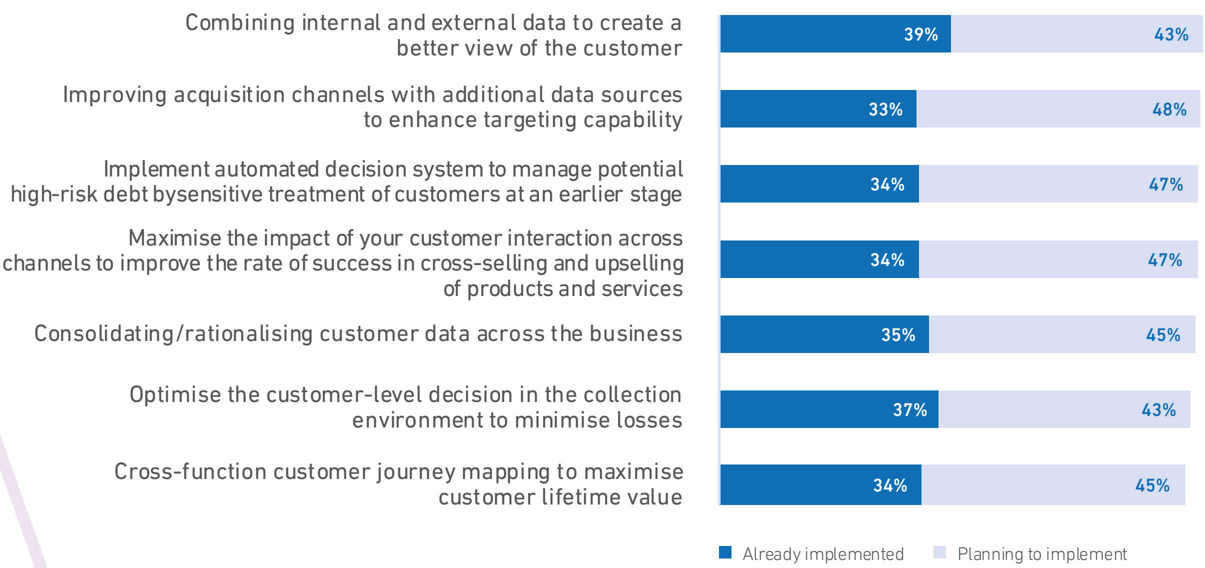
Challenges and opportunities

Targeting the right prospects and effective engagement across all stages of the customer lifecycle are on-going challenges.

Broad aspiration to expand into the SME segment also creates additional resource challenges elsewhere in collection teams, due to the high default rate and risk involved. To overcome this and continue to drive customer loyalty, firms must first create reliable early warning systems, ensure sound customer management processes and effective collection methods. From there, digitising key customer management processes to identify opportunities to cross-sell, upsell and prevent churn around customer life events, are vital.

Among the top priorities for firms are optimising customer-level decisions at the collection stage, journey mapping to maximise customer lifetime value and improving acquisition channels with additional data to enhance targeting capabilities.

Which of the following customer journey tactics will you be adopting over the next 12 months?



Base: 705 global managers and above with responsibility or influence over customer data, analytics, risk and SME services.

Plugging into automation and machine learning

Automation is vital for both your customer service and risk management. AI can be adopted to steal a march on the competition and make your business 'a disruptor' by helping ensure it becomes ever-more customer-centric.

Automation and machine learning techniques are also the key to winning long-term customer loyalty. But success hinges on ensuring a comprehensive 360-degree view of customers and putting them front and centre to concentrate on their specific needs.

Right now, many organisations are still typically blighted by siloed-thinking with mixed customer messages and approaches - for instance marketing versus collections. But it's possible to win a competitive advantage with faster on-boarding, predictive analytics to pre-empt and serve key customer life changes - from house moves to the birth of a new child.

Research findings reveal that the top three areas where organisations plan to expand the use of data and analytics in the next 12 months are preventing fraud, improving cyber-security and manage risk. But among these, it's clear customer experience and automation are also key areas of interest for most decision-makers. (approx. 80%)

Elsewhere, around a third (35%) have already leveraged automation to support decision making in customer onboarding, while 43% plan to implement in the next 12 months. Significantly, collaboration with at-risk customers is also regarded as a key tactic for around three-quarters (75%) of CEOs, while regulation and compliance are also an ongoing concern for more than two-thirds (69%).

Emerging applications and opportunities for scaled analytical use

Applying machine learning to non-traditional data sources can be used to widen eligibility thresholds, deliver increased revenue and an improved customer experience. It also offers accelerated customer onboarding notably with the use of non-traditional data sets.

As we move towards a post-PSD2 world, machine learning can be applied to analyse applicants' existing bank transactional data and to assess affordability. The resulting models may then be added into automated decision-making processes to deliver reduced risk of defaults, enhanced reputation as a responsible lender and friction-free customer journeys. At the same time, there are also opportunities for ensuring enhanced fraud detection with greater real-time analysis of customers' bank transactional data to reveal suspicious, or non-typical spending patterns, which can be used to trigger alerts. It's an approach to fraud risk management, which provides additional layers of detection, quick and clear returns on investment with reduced losses.

Elsewhere, machine learning can also be used to drive enhanced customer segmentation models reflecting behaviours, attitudes and preferences. Models can then be used to enable pre-approved offers for existing customers leading to increased revenue, increased lifetime customer value and more effective marketing campaigns.

Why the switch to 5G networks will offer business greater bandwidth to win a competitive advantage

Widespread super-fast 5G connectivity is now just a matter of months away and offers timely and lucrative opportunities for any business serving the new generation of so-called 'digital natives'. Its expected launch takes place across the UK within the next 12 months, followed by widespread adoption across the rest of Europe by 2025.

The numbers speak for themselves with 5G's arrival driving a predicted US$620 billion in business opportunities during the next decade. Of this, analysts expect around US$200 billion will come directly from video analytics and real-time automation.[3]

All banks, lenders, financial services providers, telcos and fin-techs, will be able to directly benefit from 5G's widespread adoption given it will enable connectivity to their customer base via even more devices. It's predicted it will also prompt an avalanche in the adoption of the Internet of Things (IoT), driving a surge in the number of connected devices - from smartphones, wearables and home appliances, to sensors on all kinds of objects, be it public infrastructure, or even clothes.

But crucially, 5G will have a direct impact on further empowering consumer-centric legislation like PSD2, which further puts customers in the data driving seat by offering them a clear say in how personal information is shared and used by selected businesses.

As a result, it will also become more important than ever for providers to be able to plug into scalable machine learning and adaptable analytics platforms like Ascend, as the use of third-party application programming interfaces (API) and third-party apps gaining access to banks' databases, continues to grow.

Ascend's arrival comes as many of our clients face a period of challenging transformation, characterised by intense competition and scrutiny. They're also acutely aware of the opportunities that can be unlocked by advanced analytics, automation and machine learning.

As a strategic partner we're here to help all clients solve their biggest challenges by continually offering innovation, speed and scale. Ascend does exactly that. It brings the very latest in agile, analytical innovation, vital to helping quickly convert vast quantities of data into smart, actionable insights by leveraging the latest machine learning and artificial intelligence. It's ease of use cannot be over-stated. It enables our clients to quickly call up the solution, query a file and make fast and accurate strategic decisions right there and then.

This type of platform is a must, if businesses are going to effectively compete in today's economy, because we all have to be able to move at speed with our market and consistently deliver outcomes that best serve our customers.

With the IoT expanding at an exponential rate, payment and ID verification technology set to surge on the back of widespread adoption of wearables – all driven by the arrival of high-speed 5G – means that right now is a timely opportunity to join us at the forefront of the data and analytics revolution.

[3] The 5G Business Potential - Ericsson
www.ericsson.com/en/networks/trending/insights-and-reports/the-5g-business-potential

Appendix Country-by-country variances

Unsurprisingly, the research yielded a host of differing regional priorities and challenges.

Key business priorities over the next 12 months

	Improve the experience of our customers	Improve customer trust and satisfaction	Adoption of advanced analytics capabilities	Growth through new customer acquisition
Total	74%	72%	66%	70%
Austria	73%	73%	64%	67%
France	66%	66%	53%	61%
Germany	73%	69%	69%	73%
Italy	75%	66%	61%	67%
The Netherlands	68%	62%	59%	63%
Poland	79%	91%	65%	71%
Russia	75%	72%	66%	75%
Spain	75%	75%	63%	69%
South Africa	80%	78%	80%	81%
Turkey	58%	64%	67%	52%
United Kingdom	73%	76%	75%	76%
Denmark	84%	77%	74%	68%
Norway	72%	78%	69%	81%

Top business challenges

	New competitors moving into our space	Increased activity from existing competitors	Increased exposure to fraud	Legacy technology systems
Total	33%	32%	32%	29%
Austria	27%	30%	27%	21%
France	41%	31%	41%	30%
Germany	33%	31%	36%	33%
Italy	38%	41%	41%	30%
The Netherlands	25%	29%	21%	32%
Poland	50%	41%	38%	21%
Russia	31%	37%	28%	35%
Spain	25%	30%	41%	30%
South Africa	33%	22%	34%	31%
Turkey	36%	33%	27%	36%
United Kingdom	27%	33%	22%	25%
Denmark	32%	34%	26%	19%
Norway	38%	22%	41%	28%

Methodology

This commissioned study was conducted by Forrester Consulting on behalf of Experian, during August 2018. The res ults are based on findings from 705 global managers and above with responsibility or influence over customer data, analytics, risk, and SME services.

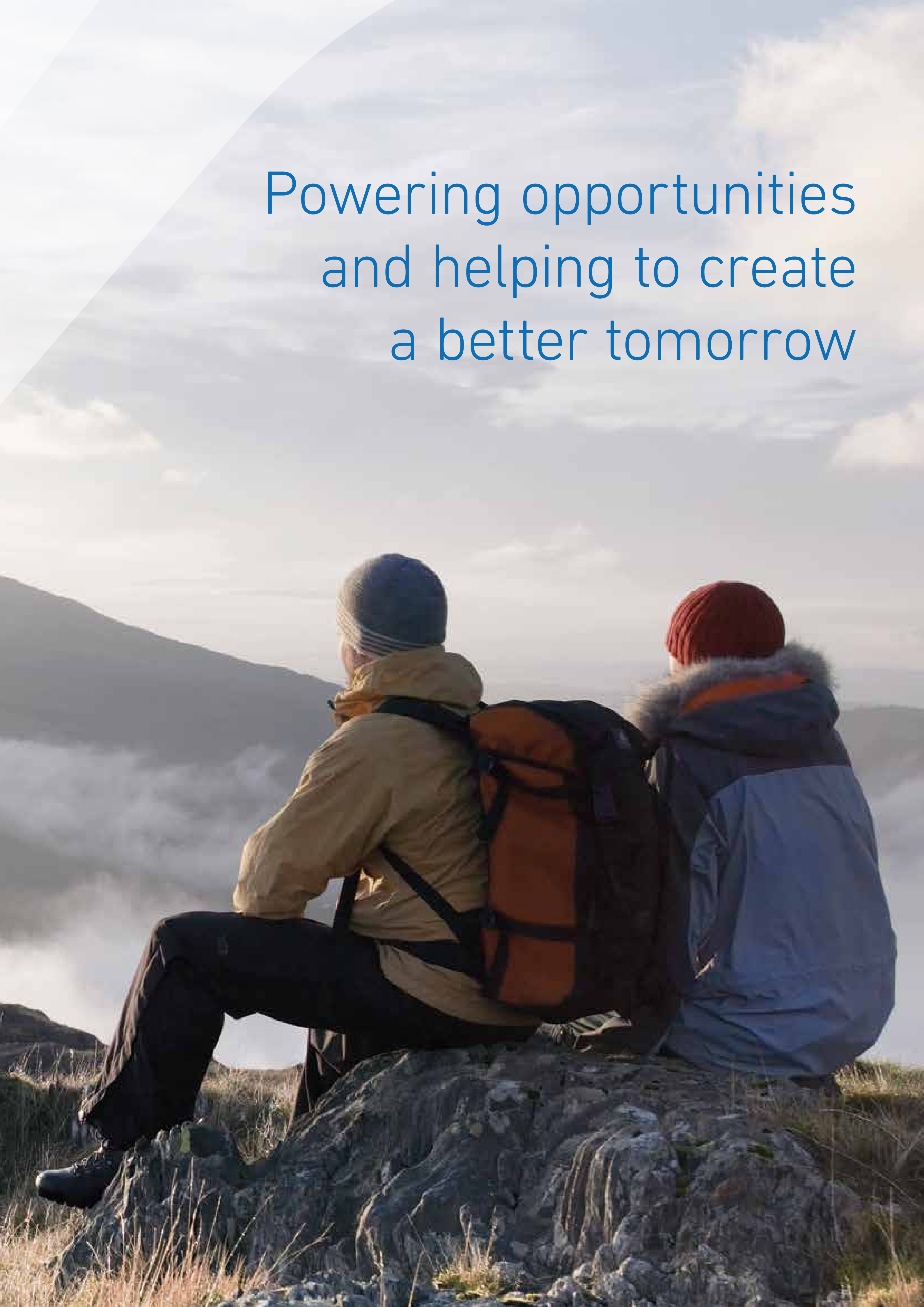
About Experian

Experian unlocks the power of data to create opportunities for consumers, businesses and society. At life's big moments – from buying a home or car, to sending a child to college, to growing a business exponentially by connecting it with new customers – we empower consumers and our clients to manage their data with confidence so they can maximize every opportunity.

We gather, analyse and process data in ways others can't. We help individuals take financial control and access financial services, businesses make smarter decision and thrive, lenders lend more responsibly, and organizations prevent identity fraud and crime.

For more than 125 years, we've helped consumers and clients prosper, and economies and communities flourish – and we're not done. Our 17,000 people in 37 countries believe the possibilities for you, and our world, are growing. We're investing in new technologies, talented people and innovation so we can help create a better tomorrow.

Learn more at www.experianplc.com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and helping to create
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