Data, analytics and AI market review

Equifax research report

What's covered in this report

Executive summary

Hidden assets? Unlocking the full value of data

In this age of big data and ever more connected technologies, data has become one of the greatest assets of many businesses. But getting the blend of data, people, tools and culture right so that they can unlock the vast potential of data and analytics is no small undertaking.

That is what this report looks into: how are credit management professionals making the most of their data? What are the challenges and opportunities they face? As companies become increasingly driven by data, what is next for the market and how might new techniques and technologies play a part in improving the exploitation of data?

To find out, independent research agency, Coleman Parkes asked in-depth questions of 200 UK-based data decision makers, including Chief Technology Officers, Chief Digital Officers and Chief Analytics Officers, across the sectors of banking, finance and debt recovery. This is what was found:

- Credit management professionals believe in the important role data and analytics have to play in supporting overall business revenue growth. But many businesses have not yet entered data maturity, instead being forced to solve foundational challenges rather than the bigger strategic opportunities.
- When it comes to the cloud, credit management professionals are leading the way. Nearly all organisations have either completed migration or have cloud migration initiatives underway.
- Regulation is a top challenge and tools are not yet being used extensively to help meet compliance.
- A large majority of the professionals we spoke to think that there is room for improvement when it comes to the data analytics in their organisation, and it will only be in the future that focus will shift from building out capability to fine-tuning it, using machine learning and AI to develop more accurate and predictive models. But that future may come sooner than it sounds, with the majority of businesses planning to utilise AI over the coming three years.
- There are opportunities to deliver greater ROI from using big data analytics – for innovation, time and cost efficiencies, fraud prevention and collections/customer acquisitions.

We hope these findings are useful as you plan your data strategy and map out the right solutions for the coming years.

Why data matters

What do credit management professionals care about?

The top priorities for credit management professionals over the next three years are to:

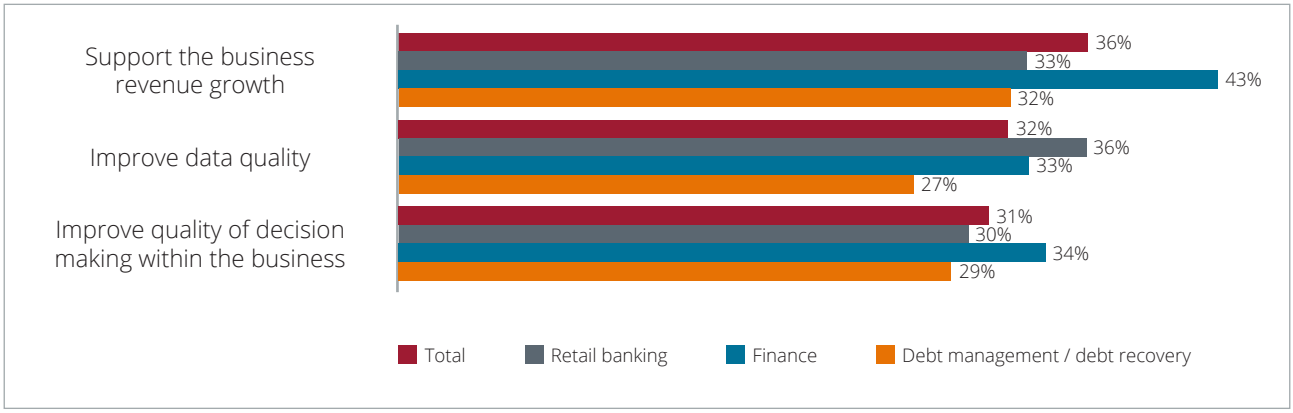


Figure one: main strategic priorities

These results are positive, in that they suggest many companies recognise the value of data, and the benefit of having good quality data. With it being a top three priority for businesses, it highlights the important role that data plays in revenue growth and the decision making process. In retail banking the importance of good quality data is even more pronounced, as improving data quality is the number one priority for most respondents in this sector.

However, in terms of the data journey, improving data quality is quite a basic requirement and common challenge for companies that wrangle with big data. Good quality data is a prerequisite for more advanced analytics and data modelling techniques. For it to feature so highly in the list of priorities could suggest that a lot of companies are not "mature" in their approach to analytics i.e. they are dealing with the foundational (and common) big data challenges before being able to move on to - and benefit from - advanced analytics, data modelling, machine learning and AI.

Where best to invest

What technologies are credit management professionals investing in?

Two thirds (66%) of the people we spoke to are currently investing in cloud technology and over half (56%) in the automation of existing manual processes. While current investment into AI and machine learning is slightly lower, almost half (46%) of credit management professionals plan to invest in this, especially those that work in debt management and recovery, and we see a major shift in the order of priorities (see figure three).

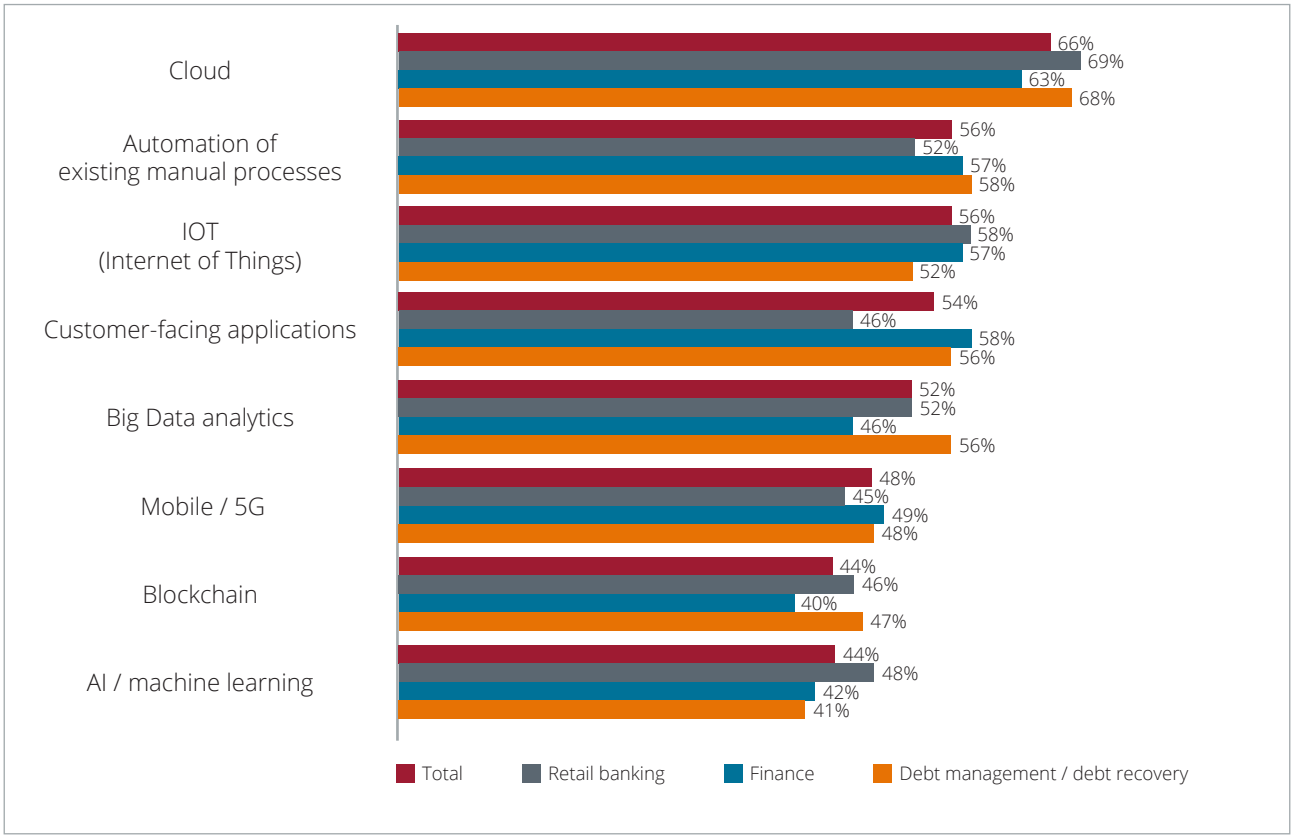


Figure two: Technologies organisations are currently investing in

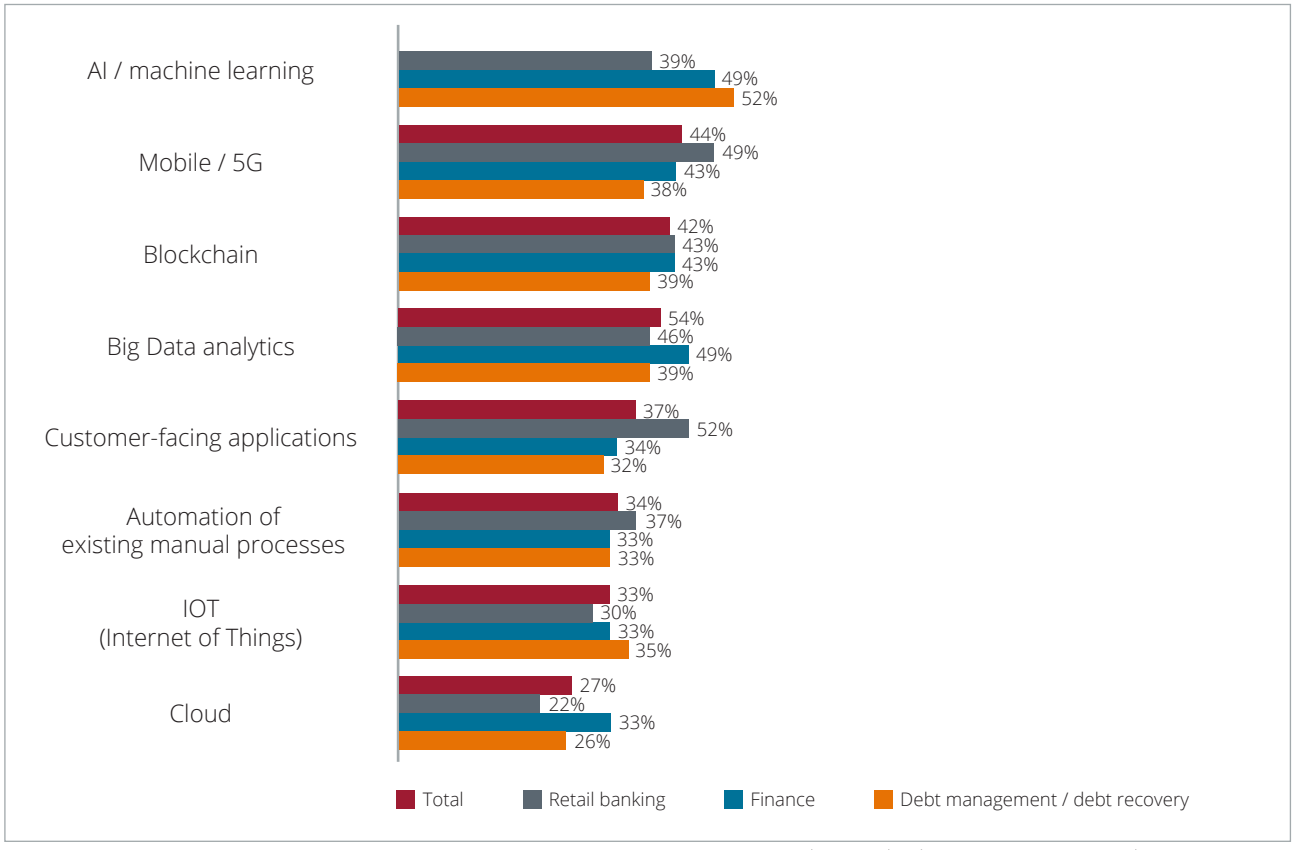


Figure three: Technologies organisations are planning to invest in

The importance of the cloud

How widespread is use of the cloud?

Credit management professionals are largely enthusiastic about cloud-based solutions and their benefits – unsurprising given how widespread cloud computing is today. Nearly half of all those we spoke to (46%) are already using the cloud to store digitised content, and a hybrid cloud solution was the next most popular choice (28%). Our research illustrates that organisations, and especially debt management and recovery (35% chose hybrid), are receptive to accessing both their own and other data in a single space.

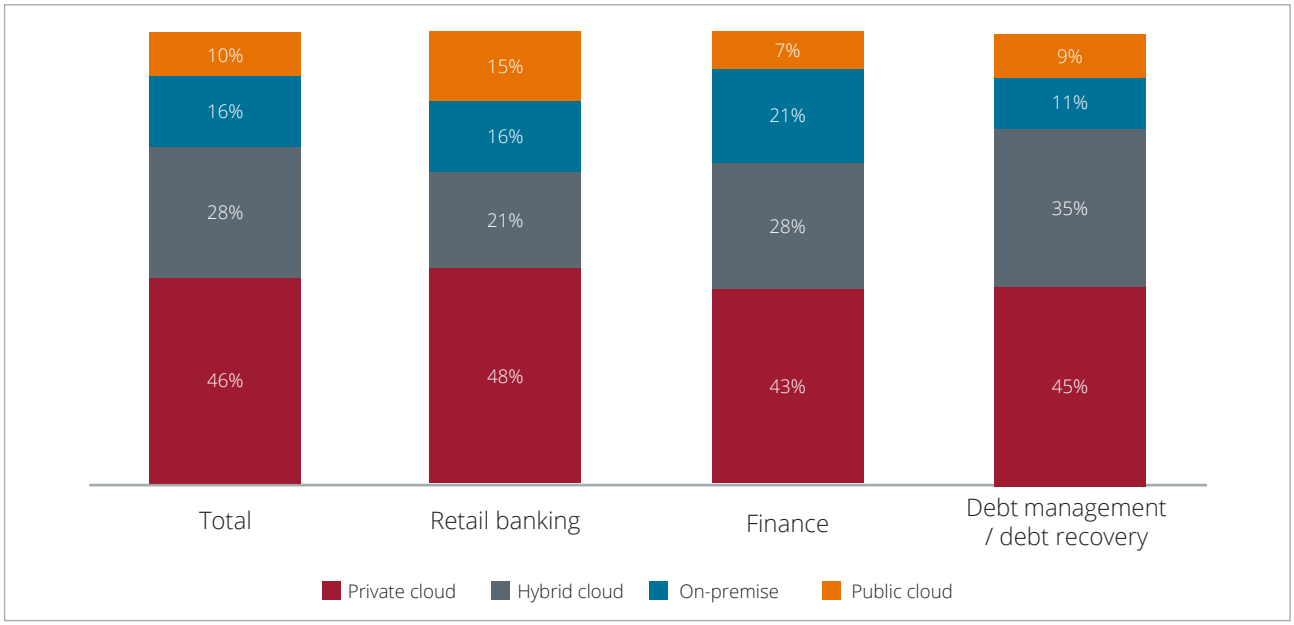


Figure four: Where digitised content is stored

How far have cloud initiatives progressed?

When it comes to migration to the cloud, nearly all organisations (90%) have either completed migration or have cloud migration initiatives underway. They are familiar with cloud computing and have likely already overcome any internal issues with data migration and similar challenges to get to this stage in the process.

This broad base level of knowledge and understanding lends itself well to the roll out of cloud-based technologies that serve specific purposes. As an example, if a company has undertaken a programme of migrating data to the cloud, they will be well positioned to understand the benefits, challenges and opportunities from implementing a cloud-based analytics solution.

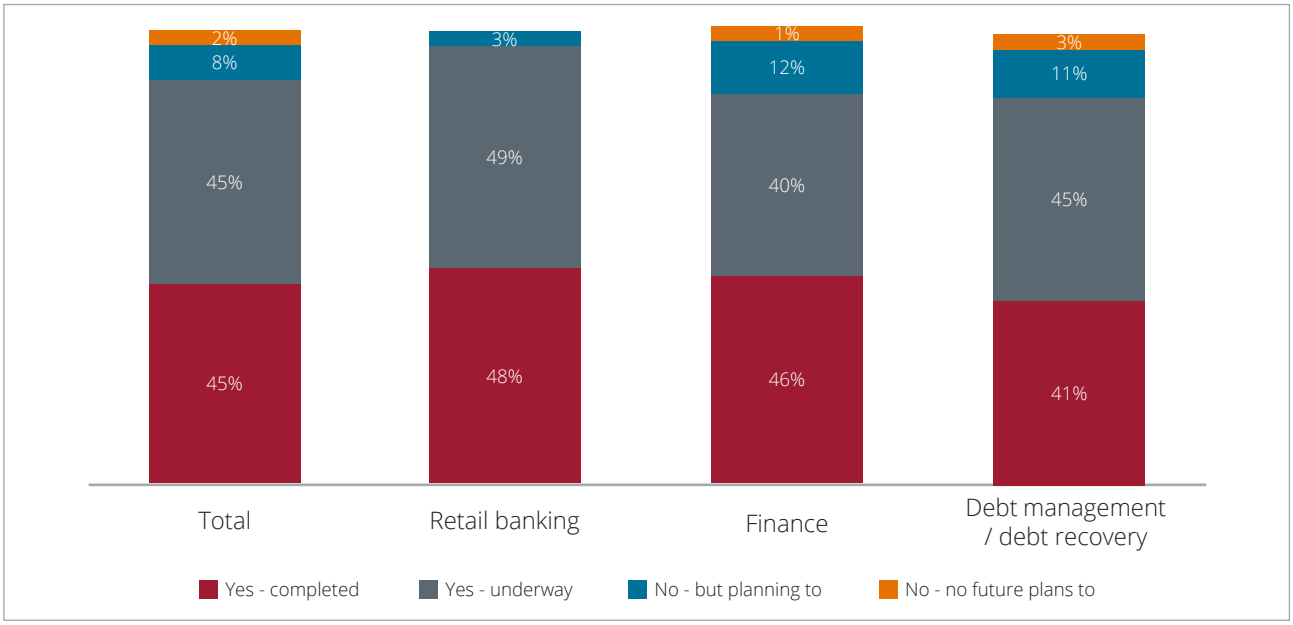


Figure five: status of cloud migration initiatives

Why is cloud migration such a priority?

The top benefits of migrating to the cloud according to the credit management professionals we spoke to are:

1. Better visibility of data (36%)
2. Greater security (32%, especially retail banking at 39%)
3. Ease of aggregation of data from multiple sources (28%, especially retail banking at 34%)
4. Improved collaboration (25%, especially finance at 34%)

On this basis, the kind of advanced analytics solutions that are likely to be helpful to financial services companies, as they look to improve decision making and contribute to revenue growth, will be hosted on a hybrid environment. This kind of implementation is ideal for accessing data in real-time from a variety of sources, and managing large data sets while maintaining the rigorous security standards required in regulated industries.

There is widespread familiarity with the benefits that cloud-based solutions can offer. In particular, they are expected to deliver cost and efficiency improvements and so make regulatory compliance simpler (83% overall, 91% for those in finance), and greater security for data storage (80%).

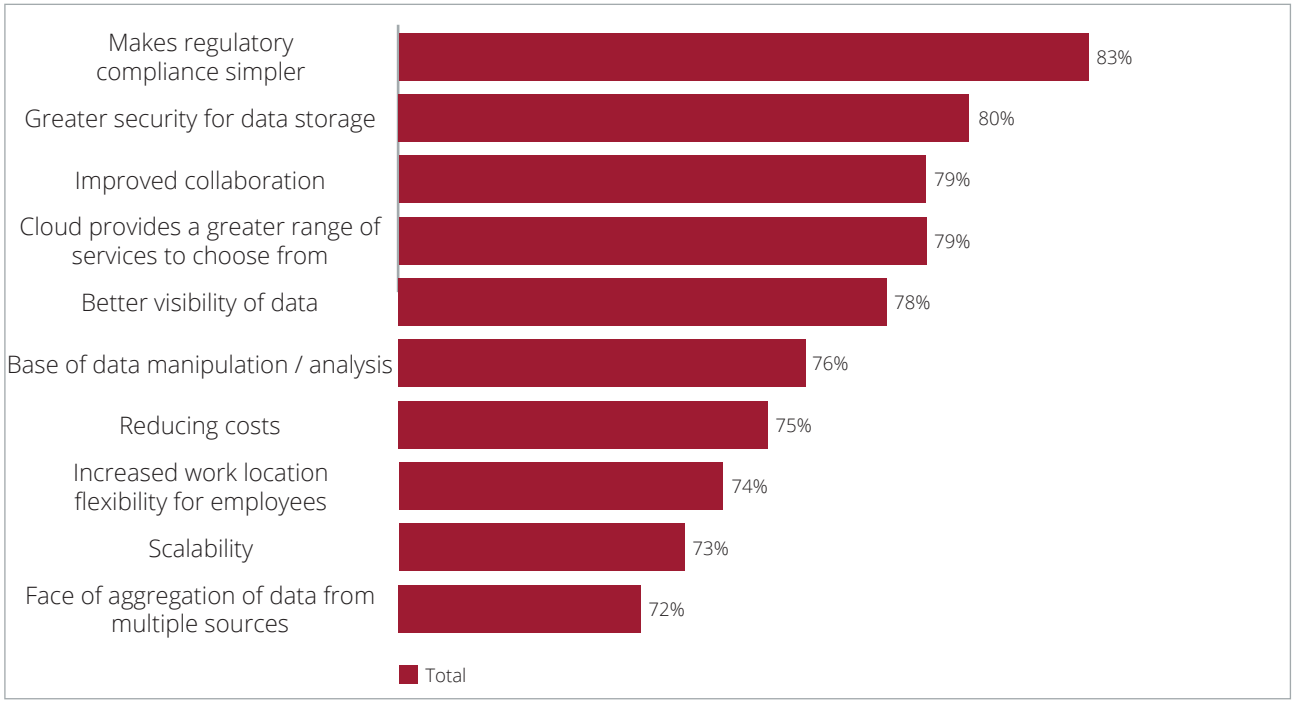
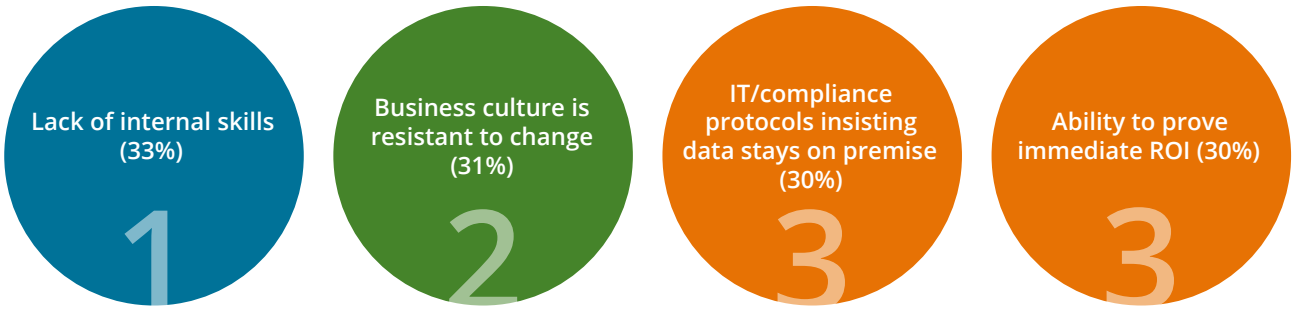


Figure six: confidence that these benefits will deliver cost/efficiency improvements in the next 1-2 years

What are the barriers to cloud migration?

As we've already seen, most businesses are either in the process of completing or have already completed the migration process. Though they may well have been overcome now, the biggest barriers they have encountered are:



Analytics and big data

Why invest in data analytics?

The top benefits currently seen from data analytics are:

1. Improved/faster generation of reports (46%, especially debt management and recovery at 52%)
2. The ability to report on real-time activities (40%)
3. More accurate future predictions/predictability of models (39%)

To a lesser extent but of importance nonetheless, the professionals we spoke to benefit from simplified data management and analysis (27%).

More than three quarters of the credit management professionals we spoke to (78%) believe that data analytics effectively drive insights and consequently delivers real value from data. This was especially true for those in finance (87%). However, nearly the same proportion (72%) feel that there is room for improvement when it comes to the data analytics in their organisation. Again, we see that there is more to be done to create the ideal data landscape within businesses.

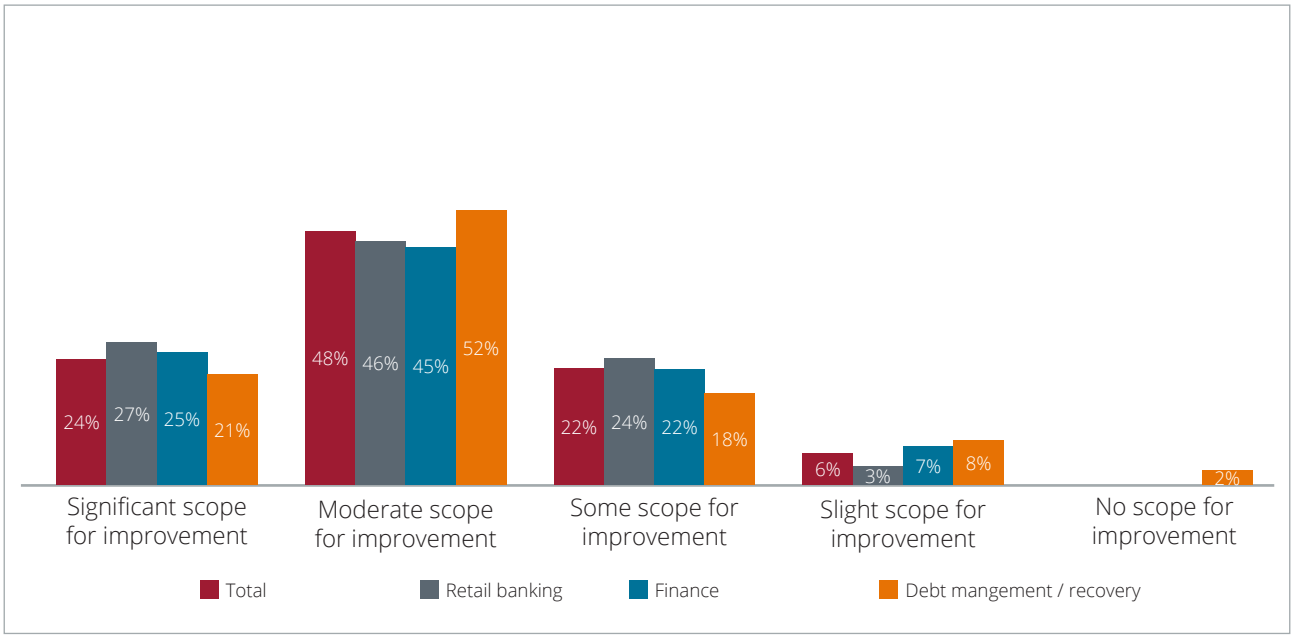


Figure seven: how credit management professionals assess data analytics in their business

What's the future for data analytics?

Compare the current benefits of data analytics with the potential future benefits the respondents expect to see and the order of importance changes:

1. More accurate future predictions/the predictability of models (36% overall, 42% for debt management and recovery)
2. Ability to report on real-time data (32% overall, 40% for finance)
3. The augmentation of traditional analytics with contextual information (31% overall, 40% for retail banking)

As businesses become more data driven and analytically mature, investment will shift from data management and capability challenges (for example, cloud, data quality, security) and into technologies that help deliver incremental improvements from analytics, for example, investment in AI to incrementally improve the accuracy of data models. Focus will shift from building out capability to fine-tuning it. This is where advanced modelling tools and techniques will have their place, as machine learning and AI helps businesses who have the basics right to realise marginal gains from more accurate and predictive models.

Data challenges

How mature are businesses with their data, and what are their biggest issues?

Credit management professionals face several challenges when it comes to getting value from data. Over half of respondents (54%) are overwhelmed by the volume of data – which speaks to the earlier point that a lot of companies appear to still be wrangling with some of the basic big data challenges and are not at the mature stage of their data and analytics journey.

Regulatory compliance is a challenge to similar levels (54%) but even more so for those in retail banking (61%). With all the recent changes in this area, it's not surprising that businesses want to drive efficiencies here. While budget constraints are also potentially problematic (54%), so too is the inability to search and access digital content internally (52%). Challenges also extend to an inability to maximise data sources to fully understand customers (50%), as well as other data and strategy issues.

So, what does this mean? The most useful analytics services for businesses in regulated industries will be those that help address the basic big data challenges, designed with an understanding of the regulatory framework within which these companies operate. To go further, where tools have been built specifically to aid regulatory compliance processes, users will see greater value from their data overall.

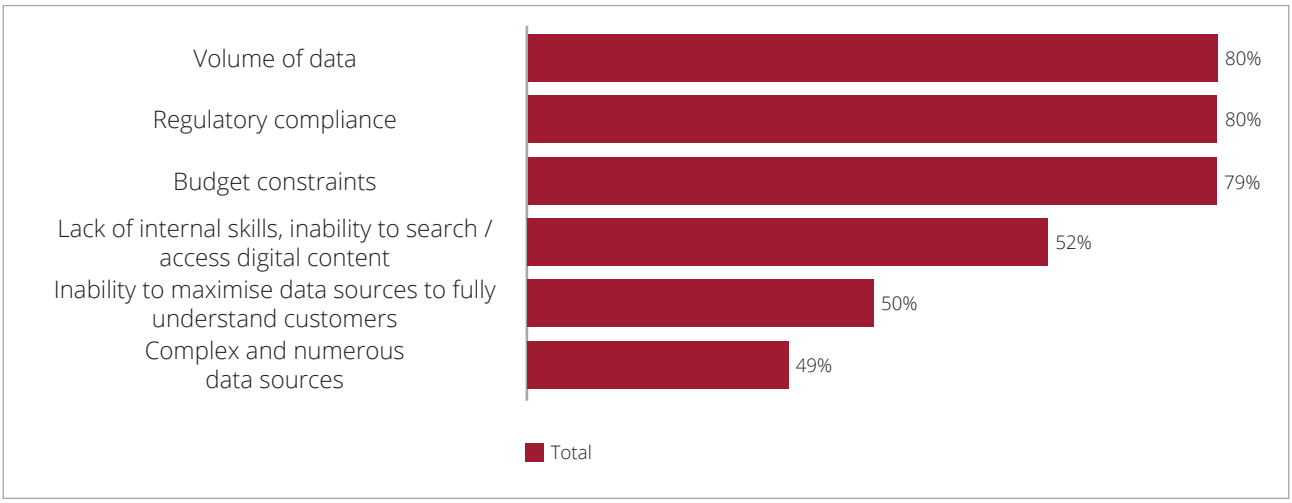


Figure eight: challenges in getting value out of data

Can AI help with compliance yet?

We have already seen how important regulatory compliance is to credit management professionals, and the value that they place in the power of AI - reflected in the number of companies that are planning future investments in the technology. But AI is inherently complex and commonly opaque, which poses a problem to regulated businesses. Regulators in the UK are developing their formal position but clearly would favour lenders that take a consumer-friendly approach.

Data opportunities

Are credit management professionals tapping into the full potential of their data?

Businesses currently use a wide variety of internal and external sources to gain insights from data. Many primarily use their own financial systems (49%) but also make use of other sources, such as the web (45%) and internal customer facing applications (41%). For those in debt management and recovery, social media is also an important source (45% versus 38% overall).

Having access to an array of data on one platform, drawn from a variety of sources, has the potential to be both time and cost efficient for businesses, as well as helping to get more value from analytics by creating a complete view of the customer. In turn, models will be more accurate and effective.

What opportunities do data analytics and AI unlock?

Three quarters of credit management professionals (74%) believe that enhanced data analytics has the potential to dramatically increase product innovation rates. And despite almost half saying that they use their own financial systems as the main source of data (49%), three quarters agree that enhancing internal data with external sources can improve decisioning capabilities (72%). This in turn has the potential to sharpen innovation in credit and risk management.

The positives for data analytics extend far beyond this. Seven in ten expect improvements in fraud prevention (71%) and collections/customer acquisitions (70%) to deliver greater ROI from using big data analysis. Two thirds (66%) say they plan to use AI to improve credit decision-making. Credit management professionals want to use the power of big data and data analytics overall for competitive advantage, improved decision-making and ROI.

It's also promising that despite some perceived barriers to AI, nearly two thirds of businesses are planning to utilise it to improve credit decisioning. The top barrier to adopting AI solutions is regulatory compliance (38% overall, particularly in retail banking at 46%). This is not so unexpected given the multitude of compliance rules to be adhered to and the levels of regulatory change for new technologies.

Conclusion

A sea change in data, analytics and AI?

Our research has found that:

- A lot of businesses and credit management professionals are still challenged by the common big data issues, such as access to data, quality of data, volume of data and the variety of data available (source and type).
- Analytics solutions that can help companies overcome these challenges, plus support the additional issues that regulation brings, will be most useful to credit management professionals and help them meet their goals – getting the most value from their data, and supporting revenue generating and growth opportunities.
- AI has the potential to deliver great value to credit management professionals and is firmly on the radar for companies as they consider future areas of investment. It will benefit companies that are already mature in their approach to analytics, i.e. they are data-driven and have a well-established approach to analytics.
- There are barriers to adopting this new technology, especially in regulated industries, but there are solutions.

What all this suggests is that we could be about to experience a sea change in how businesses approach data, analytics and AI. As the foundational elements fall into place and new sophisticated solutions become available, focus will switch to using advanced tools and techniques to realise marginal gains from more accurate and predictive models, that ultimately drive additional revenue growth for data and credit professionals.

How is Equifax addressing the challenges highlighted in this report?

Equifax's ambition is to provide the highest quality data, and in recent years there has been a strategic shift towards becoming a provider of analytics tools and platforms in addition to data and insights. This mirrors the growing ambition of firms, particularly in banking and across the financial services sector, to make better use of data assets and the analytical tools to exploit them.

Where best to invest:

With its own investment in technology, Equifax has made a significant commitment to the cloud, analytics and data science with a view to providing capability for customers both now and into the future, as levels of investment shift in the longer term to more advanced capabilities like machine learning and AI. By having a deep understanding of its customers and the regulated environments they work in, Equifax is well placed to lead the development of new technologies and platforms to support their needs.

The importance of the cloud:

Equifax Ignite - Equifax's big data and analytics platform - provides a cloud-based solution that helps customers combine all their data sources in a single, accessible, secure repository. Easy-to-use analytics tools - both proprietary and industry standard - mean that the skill base that can use the software is widened, and it is far more straightforward to demonstrate a return on a company's investment in analytics.

Data analytics and big data:

It is evident that there is a market need for strong data analytics and there are ways for businesses to improve their current processes with the sophistication of the analytical tools on offer through Ignite. It's also evident that a lot of businesses are still challenged by some of the common big data issues, like handling volume, cleaning data to improve quality and dealing with the variety of data now available. Equifax's Ignite solution provides support for businesses throughout the analytical life-cycle, thus helping to overcome these fundamental challenges in order that businesses can make better use of data to support revenue growth.

Data challenges:

Explainability in AI models has been on Equifax's horizon for some time now. Equifax's Data Science Lab has directly tackled the challenge of explainability, and in doing so developed NeuroDecision Technology (NDT), a proprietary machine learning solution that helps lenders benefit from more accurate decision making, from more predictive models, while maintaining the explainability of current techniques.

Equifax's work on explainable AI and close workings with government and regulators is directly helping credit management professionals get the most out of AI and overcoming issues with regulatory compliance.

Data opportunities:

It clearly makes sense for organisations to drive efficiencies in areas such as secure data storage, real-time updates and presenting data in an intuitive, clearly visualised way. Equifax Ignite is in a strong position to demonstrate how AI and machine learning can help with this, as well as how cloud can alleviate issues and concerns around data storage and usage.

About this report

This report is based on a survey of:

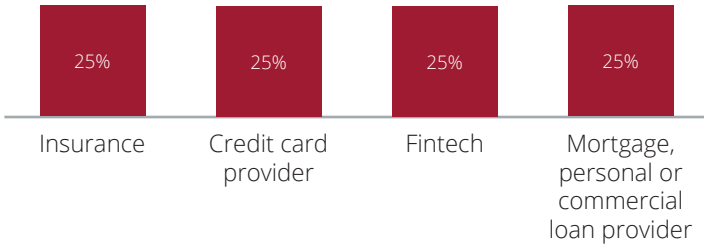
- 200 interviews with credit risk managers, business data analysts, Chief Technology Officers, Chief Digital Officers and Chief Data/Analytics Officer
- In UK-based organisations
- Across the sectors of Banking, Finance, Debt Recovery / Management

The research was undertaken by independent research company, Coleman Parkes Research, in September 2019.

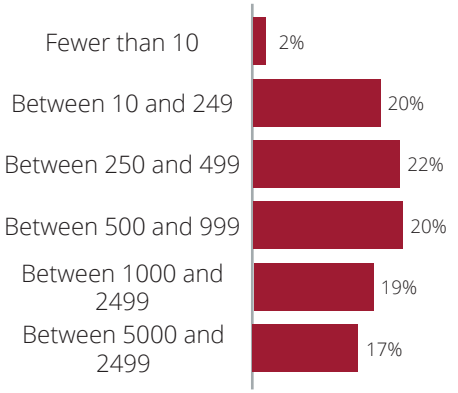
Audience profile

Sector

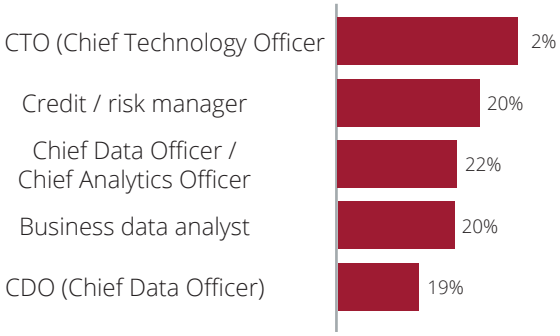
Organisation type



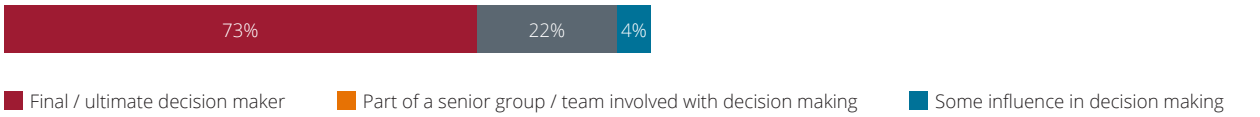
Number of employees



Job title



Decision making



Base: Total respondents (200)

Support and questions

Contact us for further information or to discover how Equifax Ignite can work for you:

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www.equifax.co.uk/equifaxignite/en_gb