

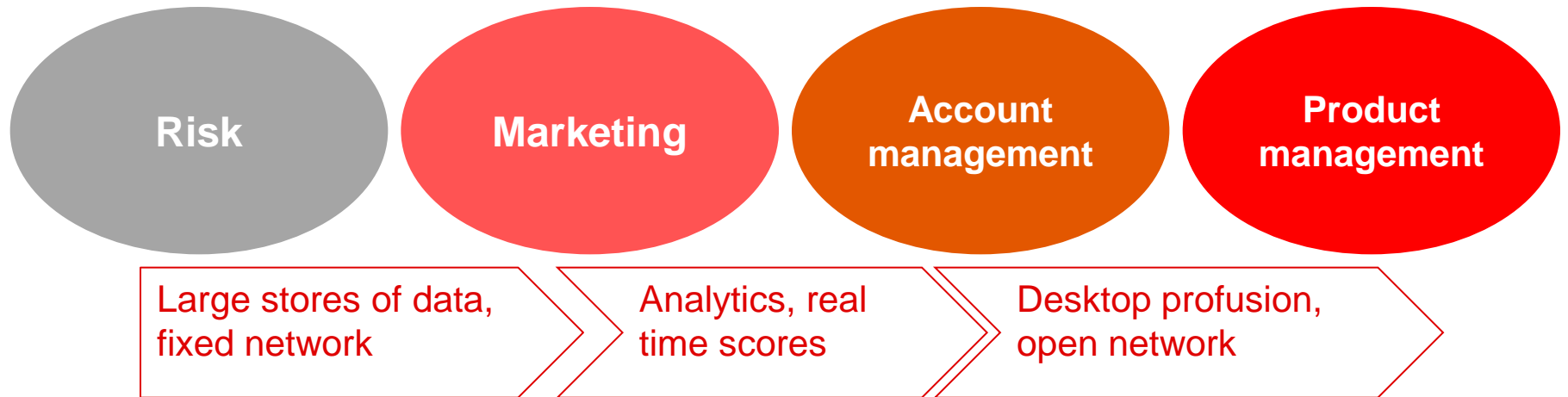


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# What is the economic and social value of data in financial services

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Veda Advantage

# □ | Uses of data in financial services – consumer credit



- New applications – ID risk management
- More analytics, federated data models, better workflow
- Sharing costs of infrastructure
- Driving capability to lower levels in business, and to smaller businesses

# □ | Valuing data in financial information services



## ***Veda Advantage...***

- Value as ROI
- Enterprise:
  - Du Pont charts to prove value for risk & fraud products to customers
  - Value based pricing for marketing solutions
  - NPV of tangibles and intangibles for data purchase
- National:
  - credit reporting law reform has a NPV of \$1.7bn

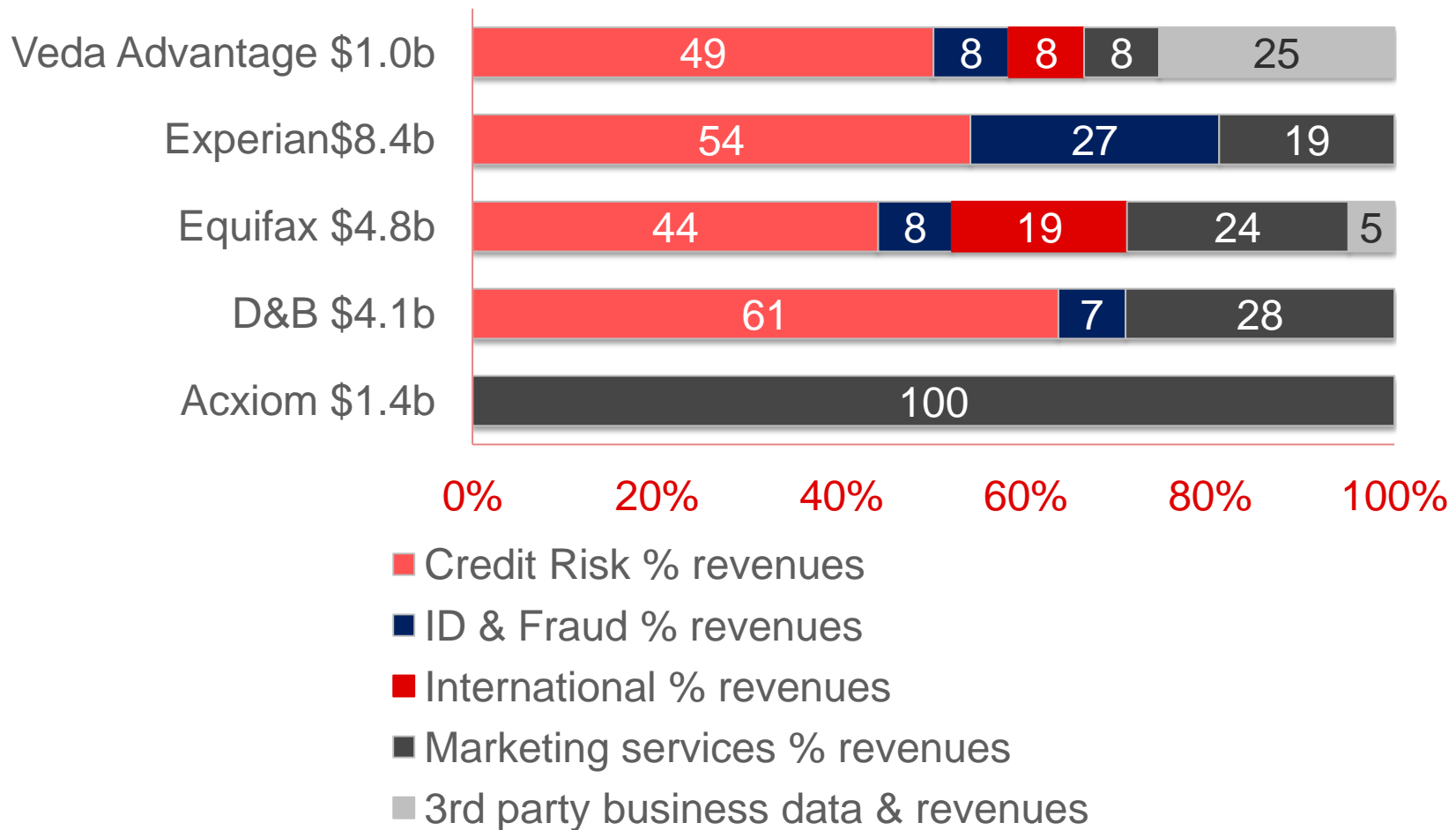
## ***Information economics***

- information is a public good:
  - Non-rivalrous
  - Non-excludable
  - Very low marginal cost

## ***Some evidence...***

- Oligopoly or near monopolies common
- High margins (low marginal costs)

# Value capture by data specialists



# □ | Value creation in financial business information

1. *Information not data*
2. *Regulation helps create a tradeable good*

- Information (& value) is created by collection, preparation and data cleansing, analysis and interpretation, point delivery in workflow
- Data regulation matches these – collection, data quality, use and disclosure
- Information is shared in networks
- Asymmetry in value capture
  - value lies in the data set, so...
  - consequences of individual decisions are small and value capture large for credit reporting agencies and credit providers
  - consequences for individuals can be large, with value capture small

# □ | Social and economic value

- Economic value – the value of improved decisions from information
- Social value – intangible and external,
- Regulation is a constraint and creator of both economic and social value

	Economic	Social
First round	<ul style="list-style-type: none"> <li>• <b>Credit risk:</b> reduced losses more efficient collections</li> <li>• <b>Identity:</b> lower cost of on-boarding, reduced fraud</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Credit risk:</b> reduced financial (and social) exclusion; consumption smoothing</li> <li>• <b>Identity:</b> improved consumer experience, access</li> </ul>
Second round	<ul style="list-style-type: none"> <li>• <b>Credit risk:</b> more competition,</li> <li>• <b>Identity:</b> enabler of new opportunity in information economy</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Credit risk:</b> reduced social harm from overcommitment,</li> <li>• <b>Identity:</b> trust, increase in social capital from enlarging trusted online network</li> </ul>