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

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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

<table>
<thead>
<tr>
<th>Company</th>
<th>Credit Risk % Revenues</th>
<th>ID &amp; Fraud % Revenues</th>
<th>International % Revenues</th>
<th>Marketing Services % Revenues</th>
<th>3rd party business data &amp; revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Veda Advantage</td>
<td>49</td>
<td>8</td>
<td>8</td>
<td>8</td>
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<tr>
<td>Experian</td>
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<tr>
<td>Equifax</td>
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<tr>
<td>D&amp;B</td>
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<tr>
<td>Acxiom</td>
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</tbody>
</table>

- Credit Risk % revenues
- ID & Fraud % revenues
- International % revenues
- Marketing services % revenues
- 3rd party business data & revenues
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

<table>
<thead>
<tr>
<th>First round</th>
<th>Second round</th>
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</thead>
<tbody>
<tr>
<td><strong>Economic</strong></td>
<td><strong>Social</strong></td>
</tr>
<tr>
<td>- Credit risk: reduced losses more efficient collections</td>
<td>- Credit risk: reduced financial (and social) exclusion; consumption smoothing</td>
</tr>
<tr>
<td>- <strong>Identity</strong>: lower cost of on-boarding, reduced fraud</td>
<td>- <strong>Identity</strong>: improved consumer experience, access</td>
</tr>
<tr>
<td><strong>Credit risk</strong>: more competition,</td>
<td><strong>Credit risk</strong>: reduced social harm from overcommitment,</td>
</tr>
<tr>
<td>- <strong>Identity</strong>: enabler of new opportunity in information economy</td>
<td>- <strong>Identity</strong>: trust, increase in social capital from enlarging trusted online network</td>
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</tbody>
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