

HOW DO ALTERNATIVE DATA SOURCES COMPARE?



Using traditional forms of identity verification can be time-consuming, frustrating and create a poor user experience. Relying on traditional data to verify identity doesn't just alienate the modern digital customer, it can also lead to huge demographics being unable to access the services they want.

Alternative data sources can be used to draw insights on consumer profiles, but how do they compare with traditional forms of identity verification?



CONSUMER COVERAGE

- **90%**
of US adults pay at least one telecom/utility bill
- **40%**
of US households are renting their home
- **77%**
of US adults are fully banked
- **60%**
of the US population is employed
- **72%**
of the US population own a social media account



DATA SOURCES

- Data aggregators - automated capture of contact data via utility providers APIs
- Credit bureaus - data reported by property managers/landlords
- Data aggregators - automated capture of data via credit bureau APIs
- Credit bureaus - employment data obtained via various sources
- Social media - data captured via direct integration of social media accounts



SHORTCOMINGS

- Historical data is not always available and can be inconsistent across service providers
- Not all consumers who pay rent are on the lease agreement
- It's difficult to determine if merchants pay in-full or on-time
- Not all employers report, or disclose all employment data
- Can be manipulated to misrepresent reality

LEGEND

Alternative data is the antithesis of traditional data in that it includes anything from mobile phone usage and monthly payments to social media activity. Here are the different sources we're comparing:

- Utility Payment Data
- Rent Payment Data
- Bank Statement Data
- Employment Data
- Social Media Data



DATA INSIGHTS

- Utility expenses represent 5% - 22% of disposable income
- Rent expenses represent 30% of disposable income
- Account activity represents spending and savings behaviour
- Represents employment status, employment stability, consumer income and pay variations
- Character, interests and lifestyle actions



APPLICATIONS

- Identity and address verification
- Credit risk assessment
- PPP loan forgiveness
- Proof of occupancy/residency
- Credit risk assessment
- PPP loan forgiveness
- Identity and address verification
- Credit risk assessment
- PPP loan forgiveness
- Credit risk assessment
- Identity and address verification
- Proof of occupancy/residency
- Marketing personalisation

FIVE COMPONENTS OF AN EFFECTIVE ALTERNATIVE DATA STRATEGY

Having the correct strategy in place is important for all businesses. Here we outline five key components to ensure you have a winning strategy when using alternative data.

01. PREDICTIVENESS

- Does the alternative data source enhance the predictiveness of traditional credit models?
- What lift does the alternative data source provide?
- Do the additional insights help solve a business problem? Reduced decline traffic? More tailored products and terms?



02. CREDIBILITY

- What is the source of the data?
- Is it surveyed, from a third-party or directly from the source?
- How current is the data?



03. ACCESS & INTEGRATION

- How easy is the data to access? Batch, real-time, on-demand?
- Is the data in a format that can be integrated into existing analytics platforms?
- How much time will it take before you realise value?



04. POPULATION COVERAGE

- What percentage of your target customer base is covered?
- Will the data enable you to extend your reach? Is it global?
- Does the additional data deliver enough value to justify the investment?



05. COMPLIANCE

- Does the data source have any limitations on usage?
- Does the data comply with GDPR and CCPA regulations?
- What is the consumer sentiment around providing this data?



Occupational fraud is on the rise and fraudsters are getting smarter, but with the right partner and tools, you can minimise the risk of fraud to your business and customers.

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