

The Future of SME Risk Analysis: Integrating Open Banking with ERP

Nordic Fintech Week - Copenhagen

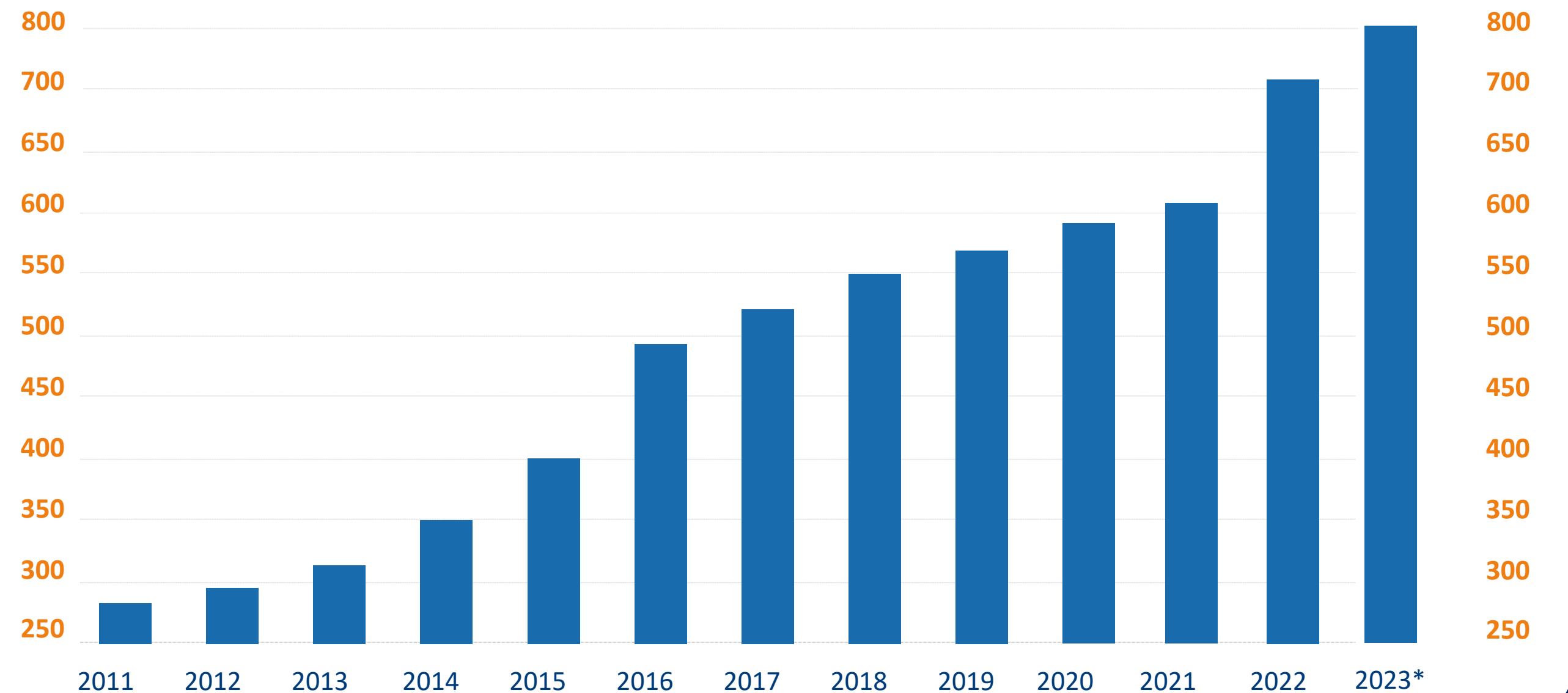
ALESSANDRO VILARDI | 25.09.2024

CRIF AT A GLANCE

- 37 ● Country-based operations
- 85+ ● Subsidiary companies
- 4 ● Continents
- 6,400+ ● Professionals at your service
- 10,500+ ● Financial institutions
- 600 ● Insurance companies
- 90,000+ ● Business clients
- 1,000,000+ ● Consumer clients

TOTAL REVENUES (millions of Euro)

Progress in Years



*Estimated

CRIF'S HOLISTIC APPROACH TO THE CUSTOMER JOURNEY

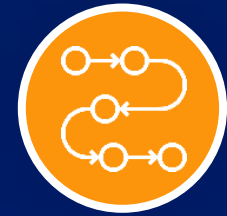
NEW CUSTOMERS ACQUISITION

CUSTOMER ONBOARDING

LOAN ORIGINATION

CUSTOMER MANAGEMENT

COLLECTION



Process

Process

1. Master data management
2. Customer base analysis
3. Addressable market monitoring
4. Sales collaboration



Data & Analytics

Data & Analytics

- Business Information (turnover, employees, industry classification)
- Company contact info
- Foreign trade
- Customer variables
- Web crawling data



Solutions

Solutions

- Marketing platform for
 - ✓ Customer enrichment
 - ✓ Prospect extraction
 - ✓ CRM enrichment and data quality
 - ✓ Sales campaigns

<https://vimeo.com/675356062>

Process

1. Customer Onboarding
2. Data collection
3. Data validation
4. KYC & AML

Data & Analytics

- Traditional data (Bureau, B.I., internal client data, ...) and scores
- New transactional data (Open banking, digital footprint, etc..) and scores

Solutions

- Digital OnBoarding
- Customer Journey Platform

<https://vimeo.com/675355564>

Process

1. Pre screening
2. Underwriting
3. Decision
4. Disbursement

Data & Analytics

- Traditional data and scores
- New transactional data and scores
- Rating models

Solutions

- Decision Engine
- Origination System
- Open Banking credit risk & financial insights

<https://vimeo.com/778391193>

Process

1. Early warning
 - Risk Mitigation
 - Business development
2. Strategy and Actions for
3. Monitoring

Data & Analytics

- Traditional data and scores
- New transactional data and scores
- Early warning, behavioural, propensity scores
- Engagement insights

Solutions

- Decision Engine
- Customer Management System
- Customer Engagement and Financial Management Platform
- Marketing Platform

<https://vimeo.com/778391096>

Process

1. Customer segmentation for early, mid collection, late & legal
2. Strategies and Actions definition
3. Performance monitoring and improvement

Data & Analytics

- Traditional data and scores
- New transactional data and scores

Solutions

- Collection System
- Customer Journey Platform
- Open Banking collection insights

<https://vimeo.com/778390999>

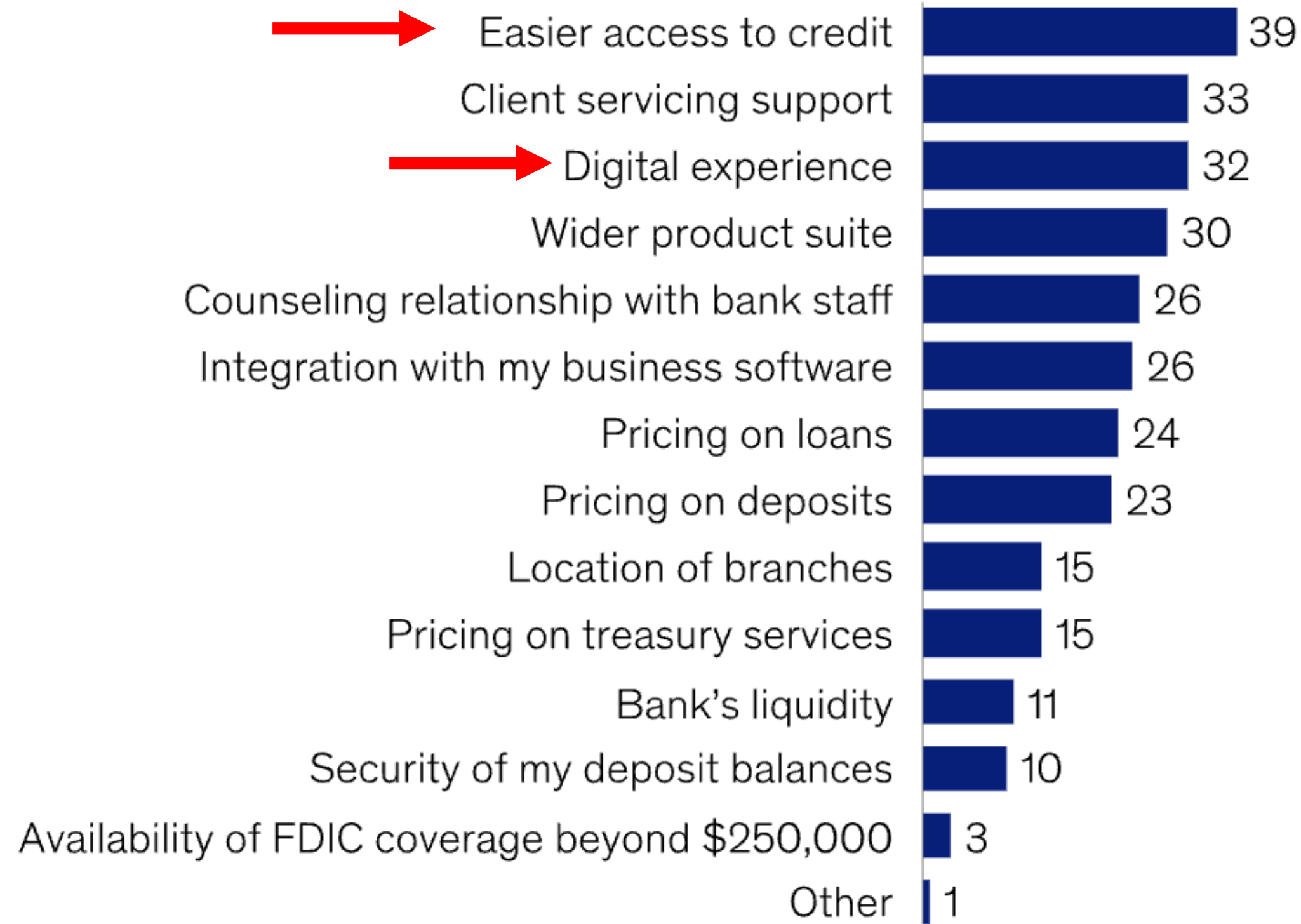

**Clip
Demo Video**

OVERALL MARKET TRENDS

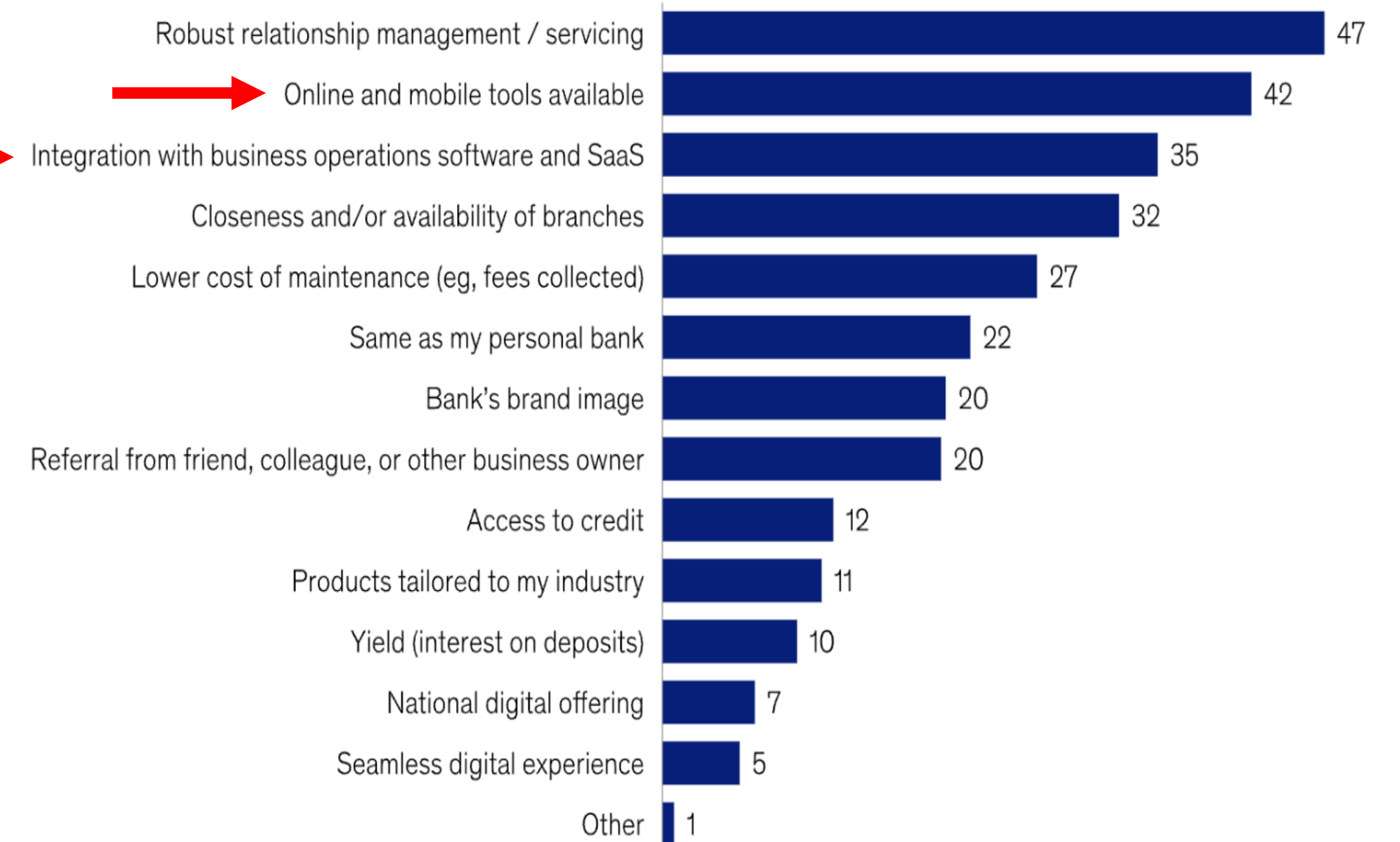
SME CONSIDERING SWITCHING THEIR BANKS

Reason for likelihood of switch,²

%



Most important criteria for SMEs when selecting a primary bank,¹ % of survey respondents



¹Numbers do not sum to 100% due to rounding.

²Respondents were asked to select their top 3 reasons for choosing a new primary bank, defined as one that holds 40% or more of the SME client's deposits.

Source: McKinsey 2023 SME survey (n = 1,200+)

Transactional data

The hidden value

The value extracted from transactional data may vary depending on the type of approach to the information

Standard approach



The most common approach (at present) involves the use of only **structured** current account datasets:

- Transaction date
- Transaction amount
- Type of transaction: incoming or outgoing
- Account balance

Advanced approach



The approach that makes it possible to also exploit the potential of information “hidden” in “**unstructured**” fields (e.g., **transaction description**)

This potential is “revealed” through the application of the **Categorization Engine**



Categorization Engine

#ML #AI

CRIF has implemented a proprietary **categorization algorithm**, which allows the classification of current account transactions into different **categories**



Continuous model training (collaboration with 40+ banks)

Accuracy >90%

Proprietary Algorithm

Consumer 200+ categories

Business 170+ categories

WORKFLOW

UNSTRUCTURED DATA

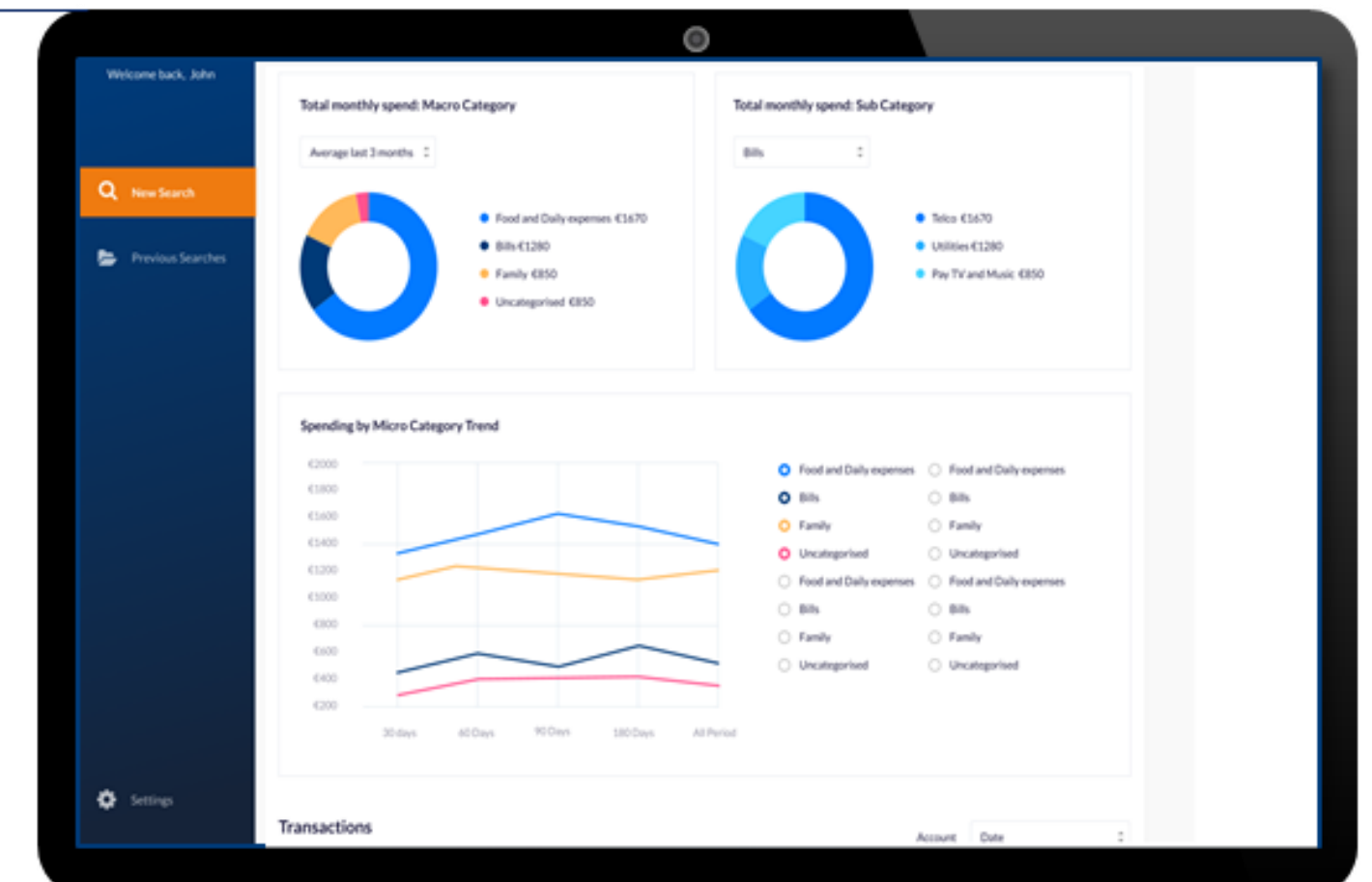


CATEGORIZATION ENGINE



MACRO&MICRO CATEGORY

- Food & Drink
- Entertainment
- Travel
- Education
- Transport
- Tangible Assets
- Loan
- Family
- Friends&Lovers
- Medical
- Raw Material
- Suppliers





Categorization Engine




CRIF PROPRIETARY TAXONOMY: BUSINESS SEGMENT


Standard macro categories “out of the box” for business


 Bills


 Business supplies


 Consumer related


 Financial Outputs

 Human Resources

 Intercompany


 Liabilities and Equity


 Other Expenses


 Revenues

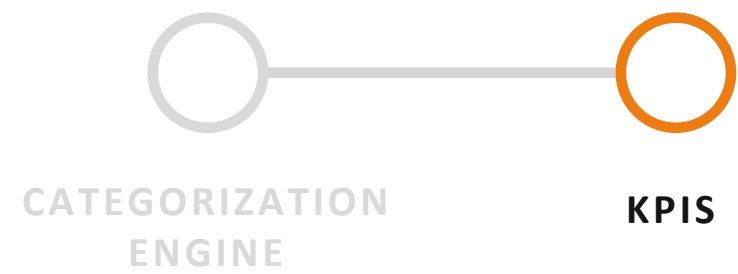
 Insurance

 Taxes

 Transportation

 Fixed Assets

 Services



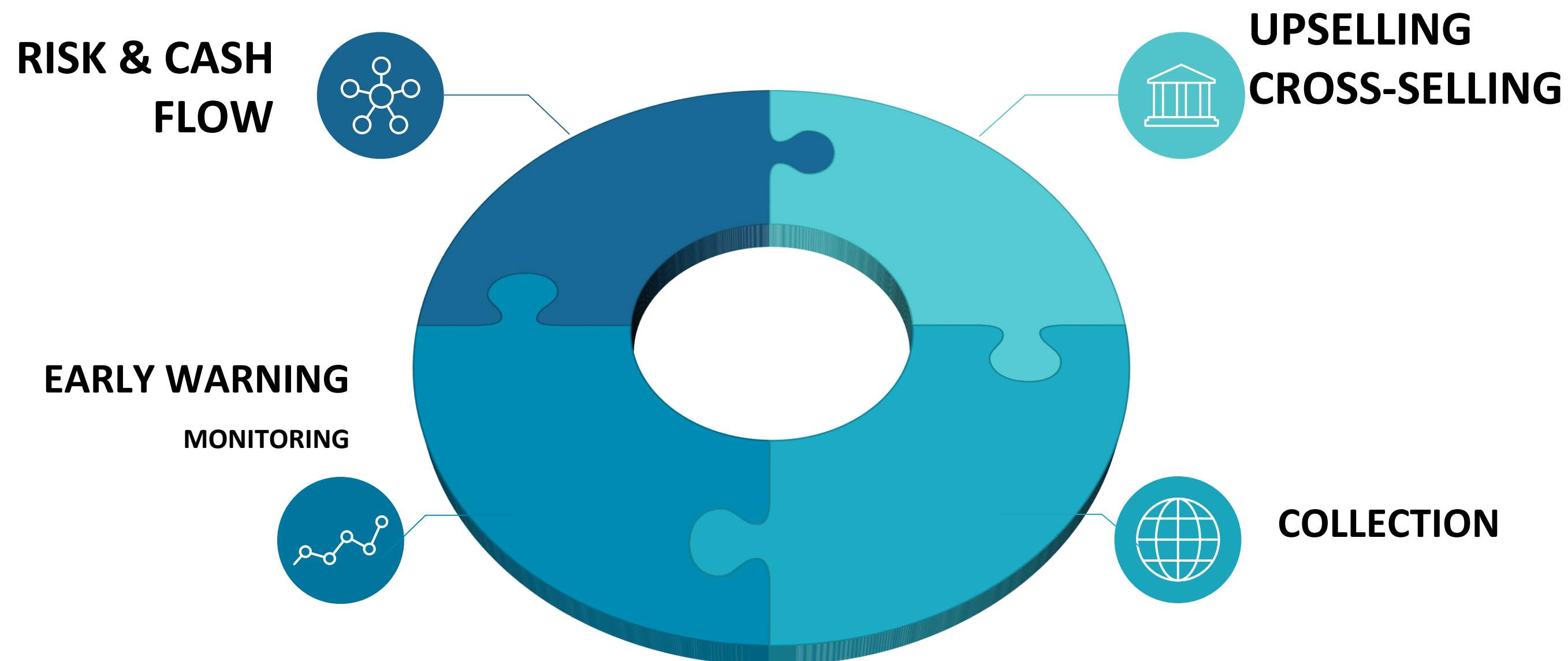
KPIs

- #RISK
- #INSIGHT
- #MARKETING

CRIF has developed an analytics suite made of insights and KPIs to be integrated to **assess the customer portfolio** in terms of **risk monitoring** as well as **KYC** and **cross-/upselling strategies**

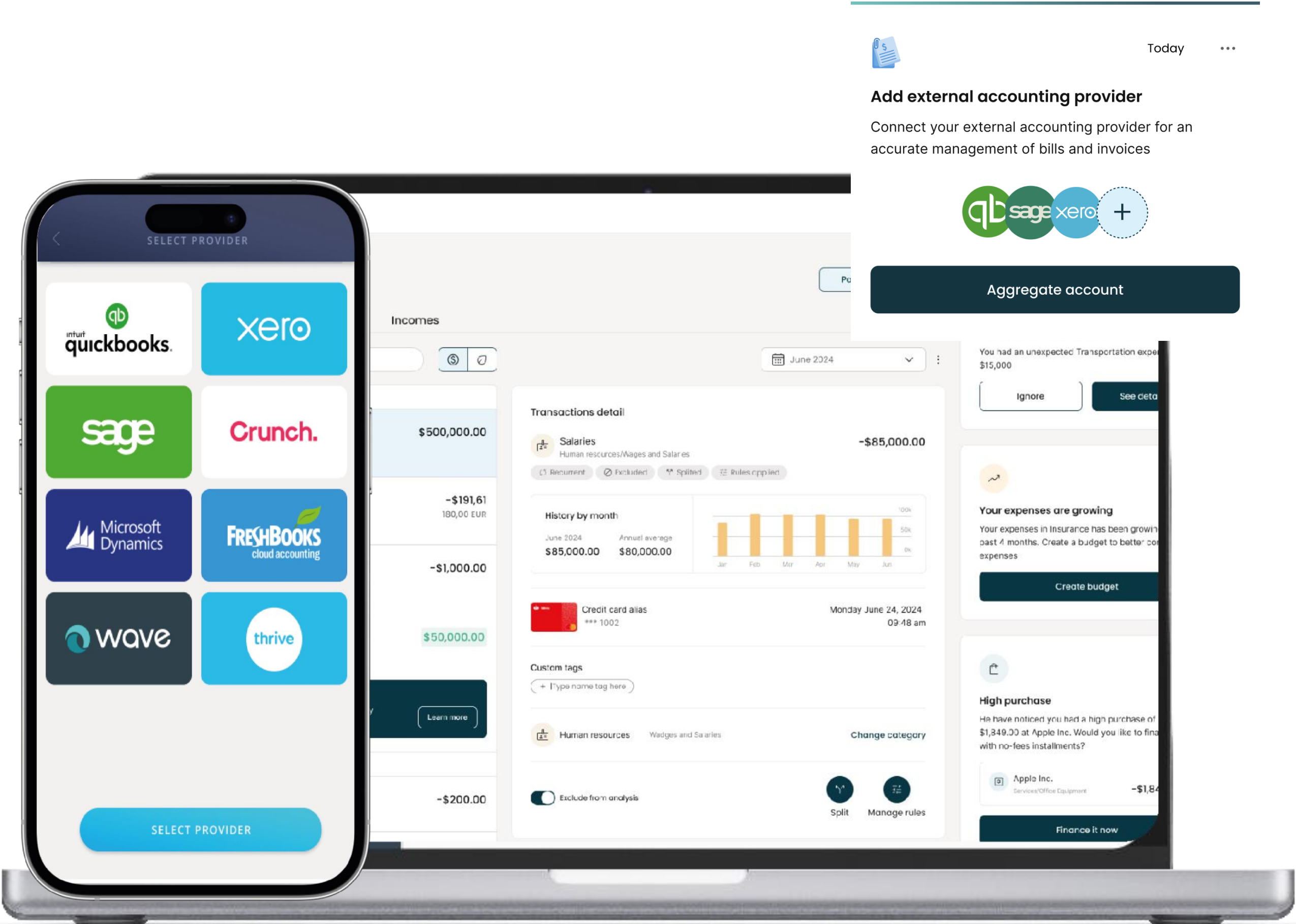


- +270 KPIs for a better credit risk assessment
- Custom KPIs based on client needs and customer portfolio
- Risk and Early warning monitoring
- KYC KPIs focused on **specific "risk" categories** (gambling, cash, garnishments, insurance etc..)



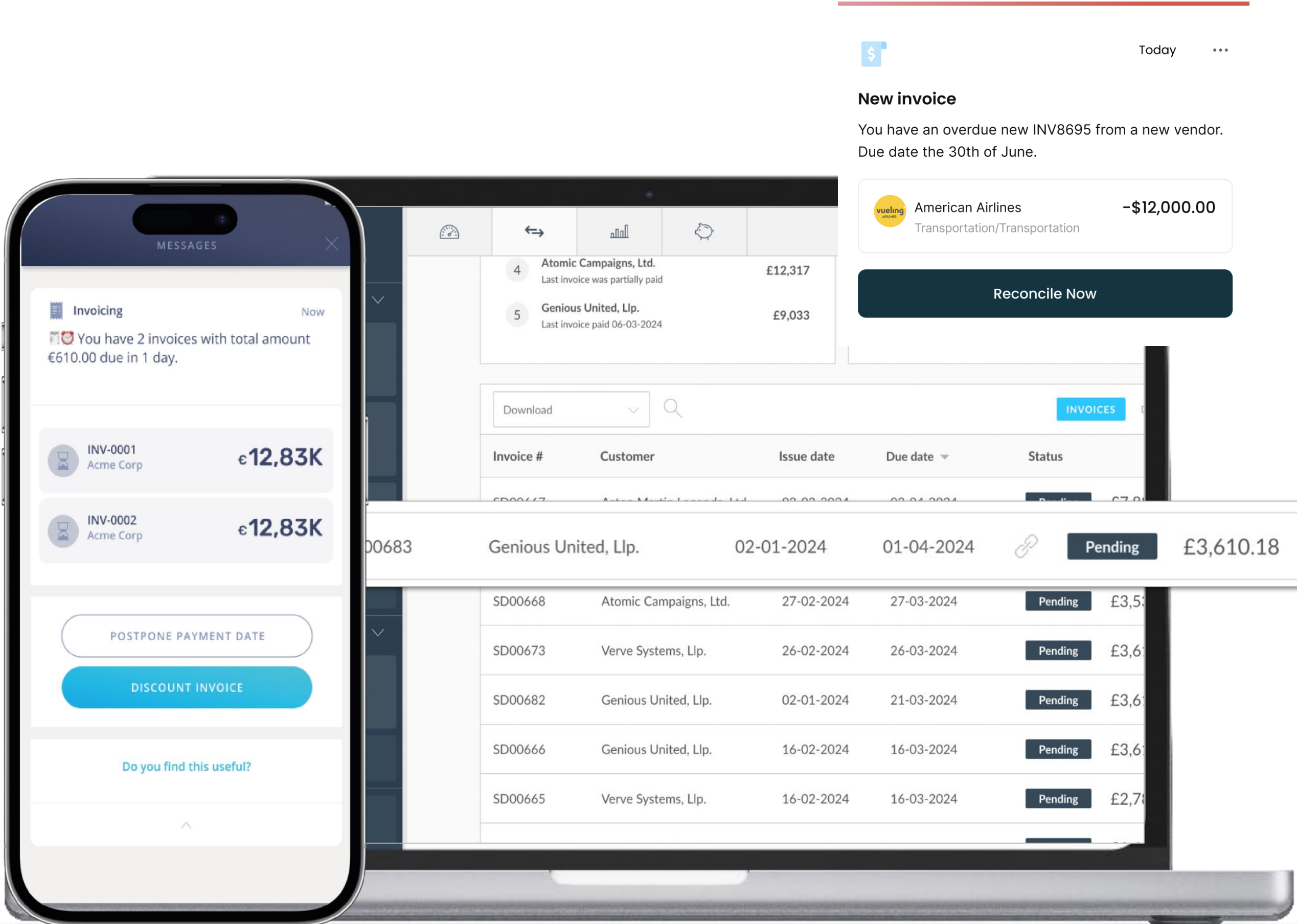
How to use transactions: ERP Invoicing management

- Enrich SMEs cash flow projections with invoices and bills to provide more accurate projections. **Cash is King!**
- Stay on top of payment cycles with payment status and payments commitments
- Digitize the tax accountant entry invoicing reconciliation process



How to use transactions: Invoice Reconciliation

- With **third-party external invoicing providers for a seamless experience**, gaining clear direction on cash flow projections with real-time insights.
- Automate the reconciliation of invoices** to eliminate manual efforts, ensuring transactions are accurately accounted
- AI-based analytics for a **better understanding of inflows and outflows** to efficiently track debtors and outstanding invoices



KEY TAKEAWAYS

- Transactions represents a huge informative source, **already available**
- Traditional usage of these data is related to structured information, but the **real value** is hidden in the **unstructured** part
- **Categorization engine** is key to fully exploit transactions value, and the contribution of robust analytics suite based on transactions lead to material improvement in **risk assessment** and **business development** activities
- **Categorized transactions** enable several **use cases for SME**, responding to their main needs and challenges when dealing with bank's relations



Thank you

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