

A blurred background image showing a person's hands typing on a laptop keyboard, with the laptop screen visible. The image is overlaid with a semi-transparent blue filter.

4 Reasons to Use Data Like Never Before

Before 2020, companies pushed towards using more and better data in an attempt to be positioned at the apex of innovation. Once COVID-19 hit, putting consumer-permissioned data to use was no longer optional, as traditionally-run organizations were forced to adapt to remote-working conditions overnight and throwing people at a problem couldn't be done effectively.

As we might assume, many expect the pandemic to “accelerate the pace of their digital transformation.” But, putting data to use at scale throughout different processes will give businesses more than just increased “immunity” to future pandemics.

Having real-time data your company can trust enables agility in any business landscape, regardless of the catalyst driving the need for change. Here are four important reasons why your business should look to consumer-permissioned data to thrive in today's COVID-19 world and beyond:

1 Real-time data mitigates risk to your business.

When transacting with your customers, verifying income and employment information is important. With recent economic uncertainty, combining traditional financial measures of health that look backwards, like credit scores, with real-time transaction data provides an even better view into current financial health. Consumer-permissioned data provides a real-time view into customers' bank accounts so you're able to decipher today's income streams and overall financial wellness.

Specifically, the amount of risk assessment that can be accomplished through bank transaction data is nothing short of astounding. Organizations can pull balances; create asset reports; identify income streams, payment streams, or other recurring transactions; identify cash flow history and trends; or view KYC account details. In short, transaction data can be used to create a detailed web of credit risk and decisioning insights. This real-time data is essential for mitigating risk as you offer a new service or loan, as well as for ongoing monitoring for financial distress indicators.

2 Data allows for easier adaptation to demand changes.

Economic uncertainty creates large increases in demand for the financial services industry. Historically, digital lenders, organizations that have introduced automated data flows into their processes, have been able to handle changes in demand volume 50 percent better than non-digital lenders. This means they can process more loans without having increased origination time.

Even when times do increase, they do so more slowly than their non-digital counterparts. Is your business equipped to service large fluctuations in demand? Call on experts to test your system against the main constraints seen during demand spikes: scalability, flexibility, agility, data sourcing, and meeting customer needs. Defining the breaking points in your process can identify what needs to be digitized, automated, or reimaged with new data, so you're prepared for future surges in demand.

3 Customer expectations have changed.

Some businesses may wonder if data is truly the solution, thinking that traditional, in-person transactions will resume to pre-pandemic levels as the virus subsides. This may be a faulty assumption, as customers are becoming increasingly digitally inclined. In fact, in 2019, finance apps saw a registration increase of 71 percent. From there, the beginning of 2020 showed a 35–85 percent increase in financial app-use, largely attributed to COVID-19 and its associated stay-at-home measures.

Regardless of the driver, it seems customers are expecting a digital experience made possible through them permissioning their data. Financial institutions that can offer the most simple or convenient solutions may absorb the customers of services who cannot.

4 Now is the time to employ data.

Because of the tremendous business opportunities of data and digitization, many financial institutions are ramping up their capabilities through partnerships with FinTech companies. What does this mean for the industry? Businesses are improving performance by gathering better data, operating under better insights, and making better decisions (with much less risk).

How is this accomplished? FinTechs like Finicity have already created direct data access connections with major financial institutions. These connections provide required data for third parties to connect to their customer's bank accounts while also increasing consumers' control over data sharing. These connections also increase security for all stakeholders.

These financial institutions lean on the expertise of FinTechs to quickly roll out their offerings while pushing the industry baseline to new heights.

Conclusion

The year 2020 has brought **unprecedented changes** to the world, with major forces on the economy. These pressures are **driving innovation** within the financial services sector, specifically in the area of data usage and digitization. As a result, businesses will likely realize the outcomes of **better risk mitigation, quick adaptation** to demand changes, **more alignment** with new customer expectations, and **improved data-led performance** through partnerships with FinTech companies. Whether it's a worldwide economic downturn or simply a pivot toward a new business initiative, **digitization is key** to successfully leading your organization through these—and future—turbulent times.