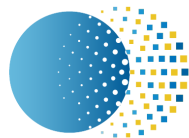


# Beyond the Data Science Bubble

## Data Analytics Seminar

Wednesday 11 October 2017  
Actuaries Institute • Sydney



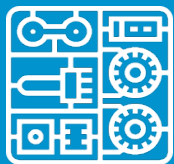


# Factor

Digital Risk Products  
for SMEs



## We build data-driven digital risk products targeting SMEs



**Factor**



Business  
Risk

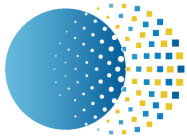


Counterparty  
Risk



Network  
Risk

**Our goal is to help SMEs grow safely**



# SMEs are creating a data footprint as they shift online



## SME Shift Online

60%

Operate their business in the cloud,  
US, Canada, UK and Australia, 2016

63%

Running business on a smart-phone,  
US, Canada, UK and Australia, 2016

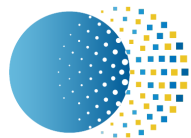
## Trade Shift Online

2x

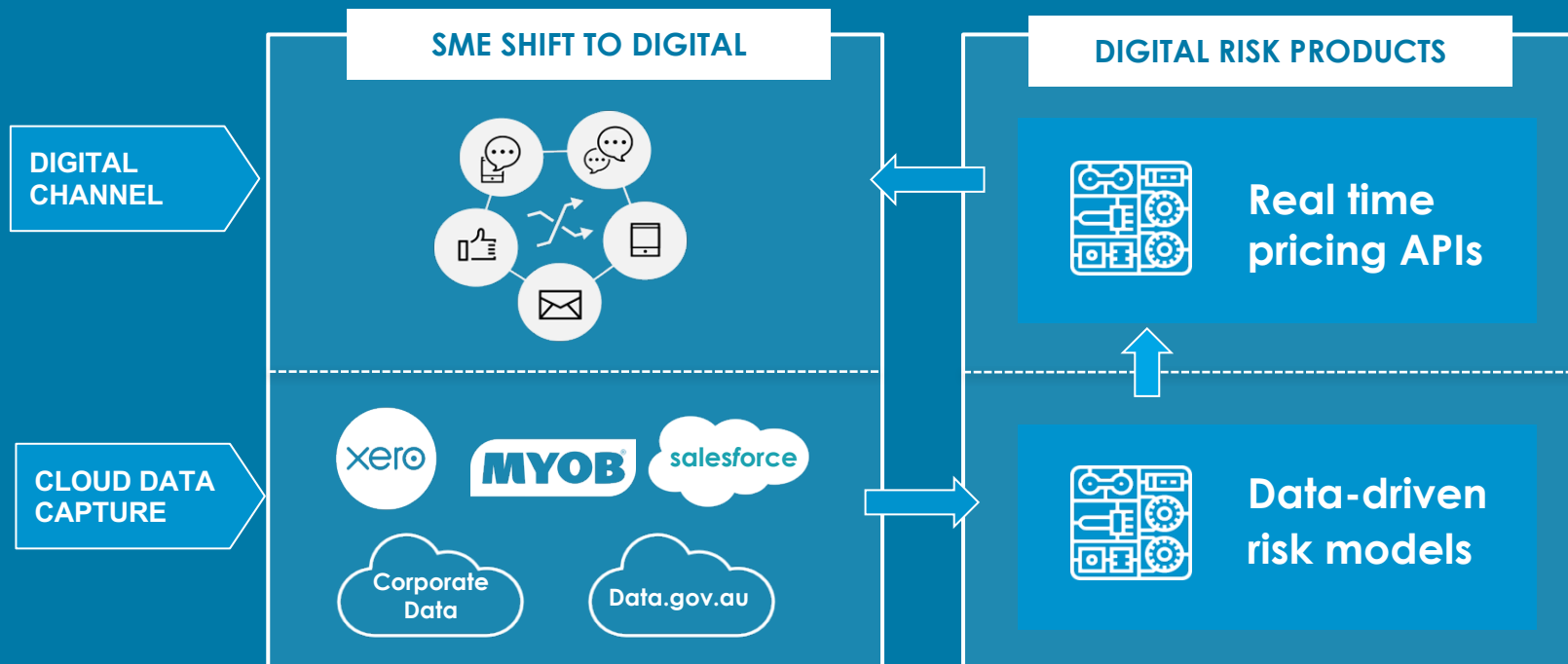
Size of B2B e-commerce  
v. B2C e-commerce

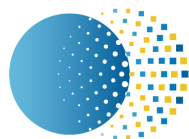
\$9 Trillion

Size of B2B e-commerce  
Sales, Global 2020



# ...creating an opportunity to develop and enable digital risk products





# Converting data into risk products requires an integrated R&D team



## Data Engineers

Understands data sources

Structuring databases to be used in exploration, analysis and production phase



## Data Scientist

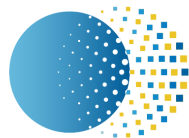
Explores data – extracting knowledge and insights

Develops descriptive or predictive algorithms



## Business Translator

Understands and converts the data insights / algorithms into impacts that creates value for the business and customers



## Example I: Xero Lending APIs



xero

“Beautiful” Cloud based accounting software

1.2 million small business customers

NZ business coverage - 30%

Aust. business coverage - 15%

Growing at 40% YoY



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## Integrated R&D Team

Data Engineers



Data Scientists



Business Translators



### Challenge

SMEs access to capital  
from banks

Trading and cash flow risks  
are high for SMEs

### Opportunity

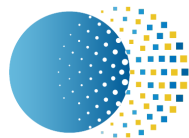
Up to date, time-series data  
on SME financial position

Network data on trading  
relationships

### Outcome

Structured databases to  
better serve “Lending APIs”  
to be used by banks





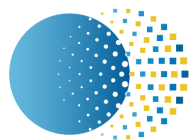
## Example II: P&G Indonesia Trade Credit

The P&G logo is displayed in a white, italicized, serif font.

Global consumer good company

Indonesia coverage

- 70% of sales through “mum & dad” shops
- Direct coverage of 1 million
- Integrated digital sales management



## Integrated R&D Team

Data Engineers



**P&G**



Data Scientists



**P&G**



Business Translators



**P&G**



### Challenge

P&G wanting to increase  
sales to retailer channel

Small retailer cash cycle  
limitations

### Opportunity

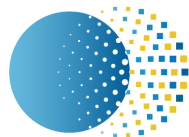
Data capture through  
integrated digital sales  
management

Growing consumer  
demographic spend

### Outcome

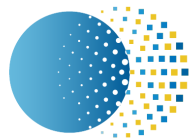
New trade credit risk  
models

Experiment - 30% increase  
in sales providing trade  
credit



## Challenges to developing digital risk products

Challenges	Approaches
Integrated R&D team	Corporate Labs Third party expertise
Access to customer data - R&D	Anonymised data, Cloud computing platforms Data aggregators / governance, e.g. Data Republic
Access to customer data - Ongoing	Customer value propositions 3rd party data access agreements
New risk model validation / monitoring	Retro testing / time series data



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# Thank You



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