

How commercial service providers can enable account onboarding with next-generation fraud tools



An Experian perspective



Enabling account onboarding with next-generation fraud tools

The commercial services market is more complex than ever

The commercial services market is changing rapidly, and providers have to adapt to fluid market changes brought about by the post-pandemic recovery with automation, new data sources, and analytics to achieve growth.

Perceptions about the ease of doing business online are changing rapidly, and it's a key driver of decisions when small businesses are choosing service providers. They want single sign on to access both consumer and business accounts, and digital credit applications that require minimal input.

69%

of small business decision makers said their service provider offering online account opening was important or very important¹.

52%

of small businesses say that a seamless experience across services that includes a single login to access all accounts and products across the account is important¹.

More than **30%**

of small businesses use open banking, and that trend is expected to continue, adding 10% more organic growth over the next 3-5 years².


¹ Source: Delivering the Experience Small Businesses Expect –Three Critical Components, Aite, October '21

² Source: JD Power U.S. Small Business Banking Satisfaction Study


Enabling account onboarding with next-generation fraud tools

Commercial service providers face steep technological challenges as demands change

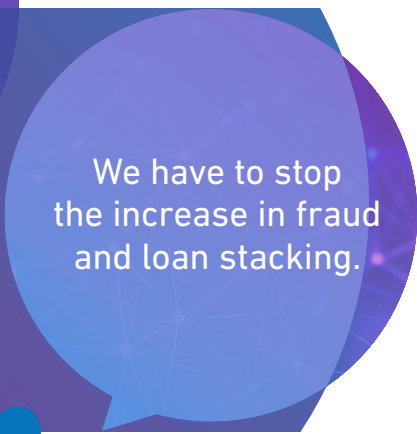
As customer sentiment and demands for commercial services change, there are still steep technological challenges that commercial service providers face in addressing the needs of their customers and maintaining market position.



There is difficulty in bringing on new customers through digital channels whether that is omni-channel experience or modernizing the backend processes.



Data standardization and transforming it in a more automated way is still creating ridiculous complexity.



We have to stop the increase in fraud and loan stacking.

Many providers are unsure of where to start in imagining a singular customer experience for new account onboarding that spans across consumer and business accounts, even though **the likelihood of cross selling a consumer with an existing relationship into a business account is much higher than prospecting net new small business customers with no existing relationship.**

Another challenge is that once onboarded into a business account, that consumer may become frustrated if they need to re-enter the information needed to establish new business accounts, especially if the service provider has already collected this information.



Enabling account onboarding with next-generation fraud tools

Challenges to enabling account onboarding through advanced automation

Commercial service providers face the challenge of creating a frictionless customer experience to stay competitive while balancing growth with risk when adding new accounts into their portfolio.

Commercial fraud is continuing to take on many forms, given the current market dynamics and the rate of reactive, technological innovation. Fraudsters continue to exploit changing market dynamics to create a shell game for third-party fraud, commonly known as identity theft, and synthetic forms of fraud, making frictionless customer identification and scoring a challenge.

Business closures: a shell game for third-party and synthetic fraud

Challenges to addressing market demand seem to compound for commercial service providers as the market landscape continues to change: the volume of permanent business closures that occurred during the pandemic has left old business entities ripe for exploitation by fraudsters.

What does this mean for commercial service providers? Rapid-fire market swings resulting in business closures and growth in new business starts, have made it harder to identify who customers are and their intent to pay for goods and services.

It is a common tactic for cybercriminals to incubate stolen records from large data breaches until the time is right to offer financial information for sale on the dark web, which remains the prime marketplace for stolen consumer and business information.

Considering that Experian's technology has detected a 600% increase in stolen records on the dark web since 2019³ and the rise in recent, large-scale data breaches, commercial entity fraud is expected to climb.

Consumers won't know when their financial information is up for sale on the dark web and business owners won't either

Solarwinds hackers are targeting the global IT supply chain, Microsoft says - CNBC

Ransomware gang with ties to Colonial Pipeline hack reportedly recruiting talent under guise of real tech company - The Week

Hyattsville Man Pleads Guilty to Bank Fraud Conspiracy That Intended to Cause a Loss of More Than \$4.1 Million to Victim Businesses - Department of Justice

How much is your info worth on the Dark Web? For Americans, it's just \$8 - Tech Republic

³ CyberAgent record counts, 2020.

⁴ The Week, accessed on the web, October 2021.

⁵ CNBC, accessed on the web, October 2021.

⁶ Tech Republic, accessed on the web 2021.

⁷ Department of Justice, accessed on the web 2021.

Enabling account onboarding with next-generation fraud tools

New businesses create opportunities and challenges for commercial providers

Post-pandemic recovery efforts, including diversity and inclusion initiatives and grants, have launched a small business 'arms race', amassing an explosion of small business starts and pent-up demand for commercial goods and services.

With new businesses making up a larger portion of the market than ever before, the lack of a business credit file, credit history or tradelines, makes it difficult to understand a business's ability to repay and the risk associated with taking on a new business as a commercial account.

New data sources, score models, and analytics predict all types of fraud

Now there are new ways to accurately identify and understand the creditworthiness of new businesses within the account onboarding process via new third-party data sources that prevent all types of commercial fraud.

Experian Multipoint Verification, a new way to verify a legitimate business

Experian has developed a verification solution for commercial service providers that helps to shut out third-party and synthetic fraud within the account onboarding process. The solution combines the depth and breadth of Experian's vast consumer and business credit bureau data with modern and traditional, third-party data sources like crowd sourced review platforms, professional networks, postal service data, web domain and email address providers, telephone carrier data and more, to help generate a score on the validity of the business' identity.

Experian's Multipoint Verification solution can shut out third-party fraud and synthetic identity theft by giving the ability to triangulate and cross reference consumer data, business data, and meaningful third-party data, to understand the validity of all the information provided by commercial applicants.



Firms who have brought this solution into their existing toolset saw up to a 15% lift in fraudulent accounts identified.

Multipoint Verification

Next-generation business verification, and a lot more

**360°
VIEW**

Experian's
consumer data
250M+
consumer files



Experian's
commercial data
28M+
business records

How it works:

Experian matches comparable data and uncovers logic discrepancies in claimed business or applicant attributes.

Powered by robust data sources, the probability of fraud is derived from combining several logic attributes, advanced algorithms, and the matching of third-party comparable data.

All the fraud signals provided

Business

- Matching legal name to DBA
- Industry category (e.g., bar)
- Active corporate filing
- Corporate linkage/hierarchy
- Open for business (via social media)

Business address

- PO Box: Y/N
- Credit bureau address matching
- Residential vs. Commercial
- Not vacant
- Single unit vs. high-rise
- Distance from IP address to physical address
- Commercial mailing receiving agency

Email address

- Age of specific email address
- Unique email count
- Registered name with provided email

Owner Information

- Professional social networks
- Gender
- Age range
- Profession
- Historical employment associations

Phone Carrier

- Phone carrier vendor
- Type of line (mobile, land, VOIP)
- Registered name on phone number provided

Tax ID

- Credit bureau tax ID matching
- Validation of tax ID prefix (by location)

Website

- Age of website
- Server count
- # of home links and external links

Data matching

- Email-to-website domain parity
 - Applicant name vs. registered name on # number provided
 - Applicant name vs. registered name of email provided
 - Mailing address matching across all available sources
-

Enabling account onboarding with next-generation fraud tools

Experian's First Party Fraud Score, determines the likelihood of first payment default

Firms that sell commercial services are starting to understand the value of scoring their customers for more than just creditworthiness. Experian has given commercial service providers a way to differentiate their risk for credit abusers: Experian's Commercial First Party Fraud Score.

This unique score can predict the likelihood of a first payment default within the first six months of account opening. The score is powered by blended consumer and business data that spans across lending networks, providing a blended risk assessment. When Experian did a random data sampling of accounts across multiple lenders, we were seeing up to 5% of new commercial accounts scoring as a 'high fraud risk' with a good credit score.



Figure 1.

Example: First-Party Fraud Rates	Commercial Credit Risk Score		
		Low Risk	High Risk (Bottom 20% of Scores)
Commercial First-Party Fraud Score	Low Risk	0.4%	1.0%
	High Risk (Bottom 5% of Scores)	5.0% "Low" Credit Risk, but High Fraud Risk	5.1%

For illustration purposes only. Example gathered from a random data sample of new commercial accounts across multiple lenders. Results may vary from client to client.

Enabling account onboarding with next-generation fraud tools

Commercial fraud validation executive summary

We back-tested our Commercial First Party Score against files provided and found that the score proved to be highly predictive of possible first-party fraud.

A leading financial services firm

- 70% hit rate with our First-Party Fraud Score
- 8% of approved accounts rated as Ultra High or High fraud risk
- 2.2x – 4x fraud risk for these risky accounts, vs. portfolio avg.
- 23% of all expected fraud events captured in these risky accounts



A leading supply chain logistics firm

- 99% hit rate against Experian commercial database
- 800+ new accounts showing high-risk of first-party fraud
- 2.8x estimated fraud risk for newly found risky accounts, vs. portfolio avg.

The First Party Fraud score enables service providers to automate a more focused customer experience; slowing down accounts that score high for credit abuse behaviors while providing a frictionless experience for accounts that score as minimal risk. The score can be used to enable the customer experience at account onboarding and also to score account portfolios, proving to be a dynamic tool that drives operational efficiency across the customer life-cycle.

As the market continues to change during the post-pandemic recovery, commercial service providers need to pay close attention to changes in customer expectations. Small business customers desire the ability to create accounts digitally via a tailored, frictionless customer experience. As new businesses continue to flood the market, providers can address pent up demand by automating the customer experience in a way that differentiates and reduces risk, while enabling new account onboarding.

Knowing when to buy or build is a differentiator

It can be difficult to actualize the right combination of automation, data, and tools to build the best operational processes and workflows that deliver a customer experience tailored to the needs of commercial customers, due to complexities in business models, resource capacity, and the ability to create mindshare with decision makers on the subject.

Onboarding new data sources and tools and adapting them to existing systems can often be such a time-consuming undertaking within organizations that have strong technological application vetting and vendor management protocols, that once onboarded the tools can already be obsolete.

Knowing when to buy or build a solution can be a competitive differentiator in gaining speed to market and commercial service providers should reflect on the rapid market shifts within the last few years when considering their level of proficiency in building solutions at the pace of the market.

Commercial service providers should envision and optimize their operations to enable automation and look towards technology partnerships with enterprise solution providers that can deliver robust data and solutions that solve for a multitude of challenges with a single vendor relationship, while delivering back analytical insights across the business.

Let Experian help you on your journey.

To learn more about Experian's Commercial Entity Fraud solutions, contact an Experian representative at 877-565-8153 or visit www.experian.com/commercial-fraud

About Experian's Business Information Services

Experian's Business Information Services is a leader in providing data and predictive insights to organizations, helping them mitigate risk and improve profitability. The company's business database provides comprehensive, third-party-verified information on 99.9 percent of all U.S. companies, as well as millions of companies worldwide. We provide market-leading tools that assist clients of all sizes in making real-time decisions, processing new applications, managing customer relationships and collecting on delinquent accounts. For more than 125 years, Experian has used the power of data to help unlock opportunities for businesses and consumers. With more than 20,000 employees in 44 different countries, Experian proudly offers blended data assets, giving you access to hard-to-find small and micro businesses. Funneling numerous data sources — including BizSourceSM, member trade, alternative and consumer — our breadth and depth of information helps you fine-tune marketing efforts, identify new profitable customers, assess risk, improve data modeling and conduct market research to break into new market segments.

