

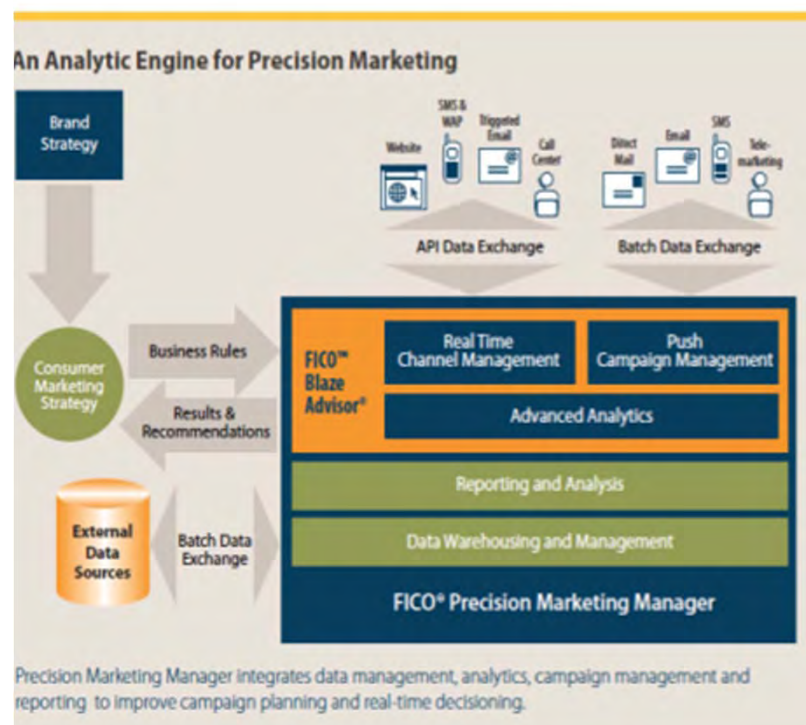
Big Opportunities, Big Risks for Low-Income Consumers and Youth in the Big Data Era

For the **Asset Funders Network**,

By Ed Mierzwinski, USPIRG Education Fund & Jeff Chester, Center for Digital Democracy



FICO® Precision Marketing Manager



3/28/2013

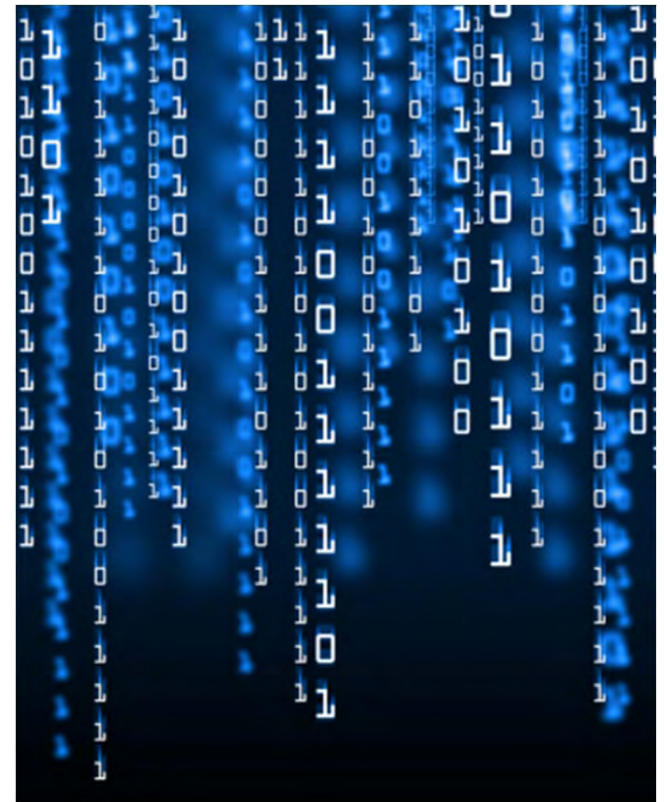
BIG DATA, Ed Mierzwinski, U.S. PIRG Education Fund & Jeff Chester, CDD for Asset Funders Network

Overview of the Big Data Webinar

- Big data is changing financial marketing
- It affects financial and economic opportunity for youth and vulnerable consumers
- The importance of Big Data grows as we migrate to the mobile web and mobile wallet
- There are positive as well as negative implications
- There is a need for further research and action

What is Big Data?

- “It’s everything from web clicks, to customer transactions, to routine business events—anything predictive.”
- “With greater computer power and cheap storage, it’s done in real time and merges online and offline datasets.”



A digital data torrent is fueling real-time, online targeting of consumers. Data are no longer being used merely to serve page ads, but to optimize predictions about individuals, and make financial offers.

Data collection, measurement, and targeting are woven into content and functionality of digital media.

- Era of “Big Data”
- Triggering and measuring actions in real time
- “Path-to-purchase”
- Levels of precision unprecedented
- Under the hood of the e-commerce engine



Ben Chamis - Fotolia

Big Data in Digital Era Is Transforming Financial Services

- New financial products already affect vulnerable consumers [online payday loans, e-scores]
- New period of accelerated change: prepaid cards; mobile wallets; location payments
- Emerging practices largely unregulated
- Education, coalition-building and advocacy required

On and offline data is collected, combined into profiles and used in real time via mobile, social network, web surf, in-store, on-street etc. to make predictive, behaviorally targeted offers.

Age of Big Data: The Amount of Data Available is Overwhelming

ANALYTICS EXCHANGE

COMPANY TYPES							
COMPILERS	DIGITAL DATA	SYNDICATED RESEARCH	LIST MANAGEMENT	SPECIALTY COMPILERS	CREDIT DATA	SEGMENTATION TOOL PROVIDERS	INTERNATIONAL
Demographics & Famographics	Aggregators, Owners, Audience, Analytics	Panel data representing consumer attitudes & behaviors	Response Data	Lifestyle/Behavioral, Reality, Transactional, Life Events	Credit Scores, Credit Attributes	Generic Clusters—utilizing attitudinal, demographics, or credit information	Country specific data providers

Financial services sector has expanded its use of Big Data to reflect both new capabilities and a significant shift in how consumers used media, make decisions, conduct transactions.



These powerful new capabilities have tremendous impact on consumers, esp. low-income/at risk or vulnerable populations. Data can be used to manipulate choices or offers or pricing structures.



Ideal Audience: Underbanked Consumers

Overview

TruSignal's Underbanked Consumer Ideal Audience includes people who have similar characteristics of consumers who maintain nontraditional banking relationships. This segment is valuable for advertisers looking to reach consumers using money transfer services, applying for short term loans or prepaid debit card products through online channels.

Built Using Real World Performance Data

TruSignal Ideal Audiences go beyond rudimentary demographics or pre-canned segments. By analyzing underbanked consumers with TruSignal's massive store of third party data, we discovered a proprietary formula of 127 predictors. Together, these data attributes detect which consumers are likely to use money transfer services, short term loans and prepaid debit card products. We used this audience formula to profile more than 100,000,000 US adult consumers, giving you all of the power and precision of many datasets distilled into a single, targetable audience.

Top Predictive Factors:

- Length at residence
- Estimated home value
- Not owner occupied residence
- Musical tastes
- Financial strength

Multicultural targeting of Hispanics is a key element of the online ecosystem.



More multi-cultural targeting is aimed at African-Americans.

5 digital truths about African Americans

-  African Americans are ahead of the digital curve, utilizing video, mobile, and other platforms to interact online
-  African Americans are vocal – digital is their microphone
-  African Americans are avid searchers
-  African Americans are more thorough in their pre-purchase research
-  African Americans are more receptive to digital marketing

Click on sign to add text and place signatures on a PDF file.

And so is targeting of youth and youth of color...



The targeting is aided by scoring

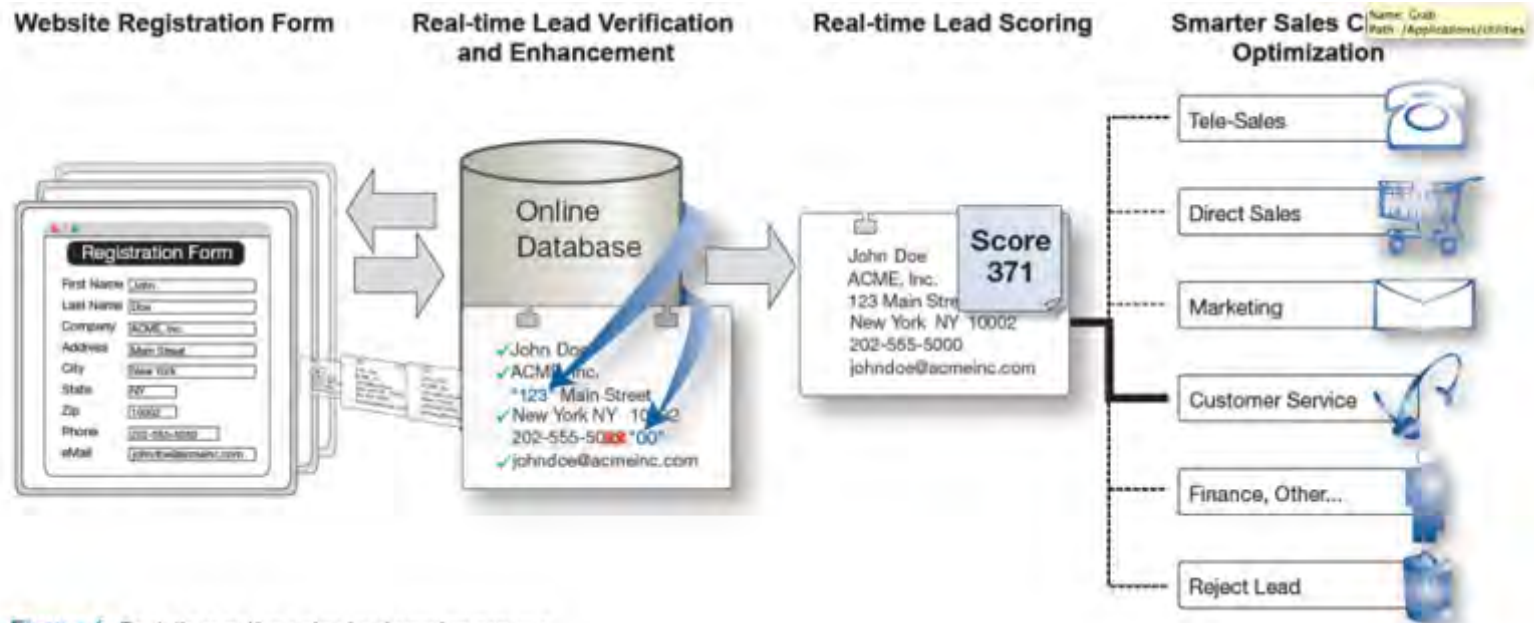


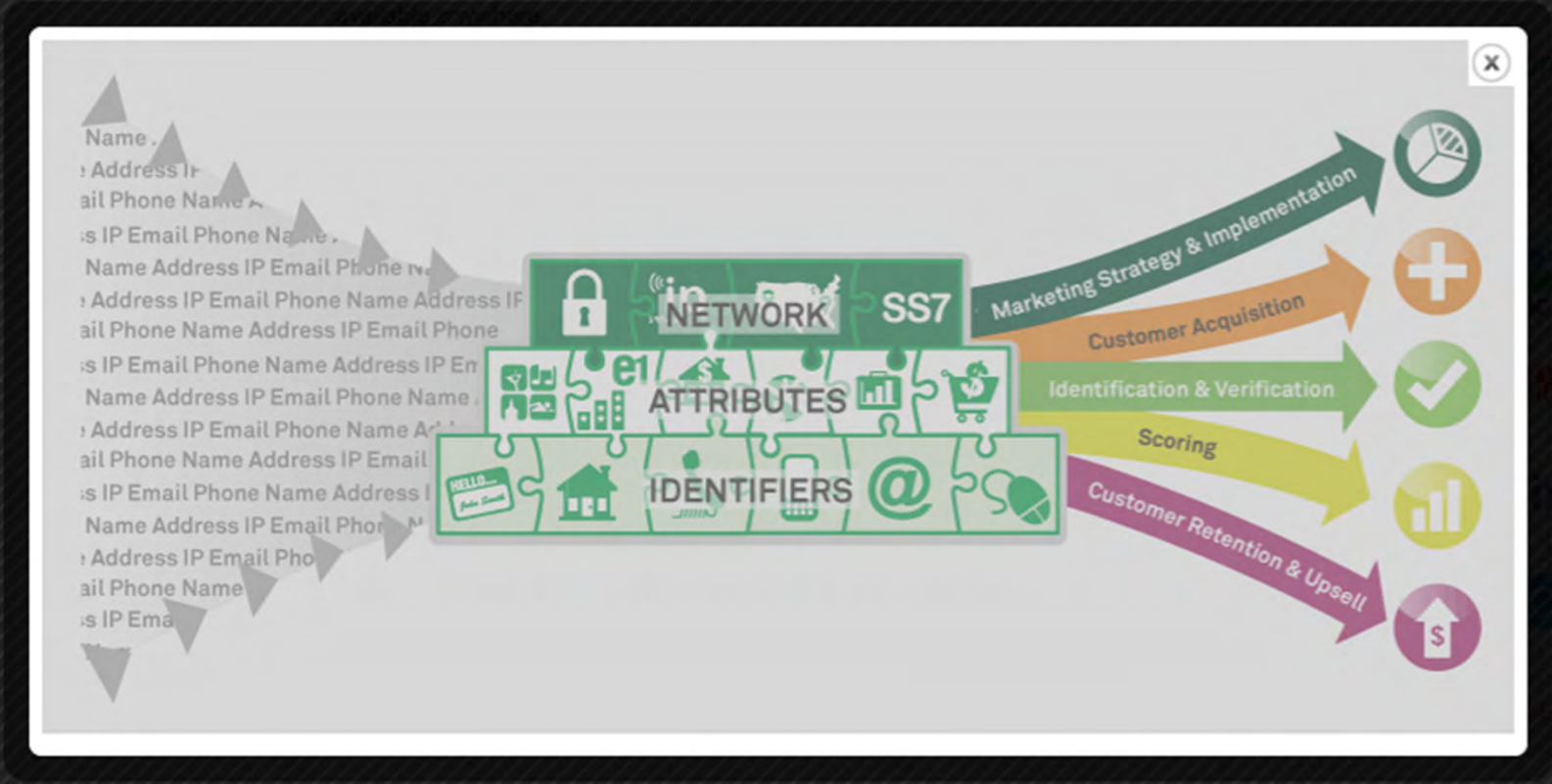
Figure 4: Real-time online sales lead scoring process

Example: Identifiers, Attributes, Network (IAN) used by Neustar for consumer scoring

IAN stands for Identifiers, Attributes, Network, which are the three levels of our proprietary information architecture.

Through IAN, you can instantly identify or gain insight about the person at the other end of your interactions, online, on a Web form, on the phone or at the point of sale. IAN has proven itself in the toughest markets. And it's fueled by the most authoritative, most current consumer and business information available.

possible
[Learn more](#)

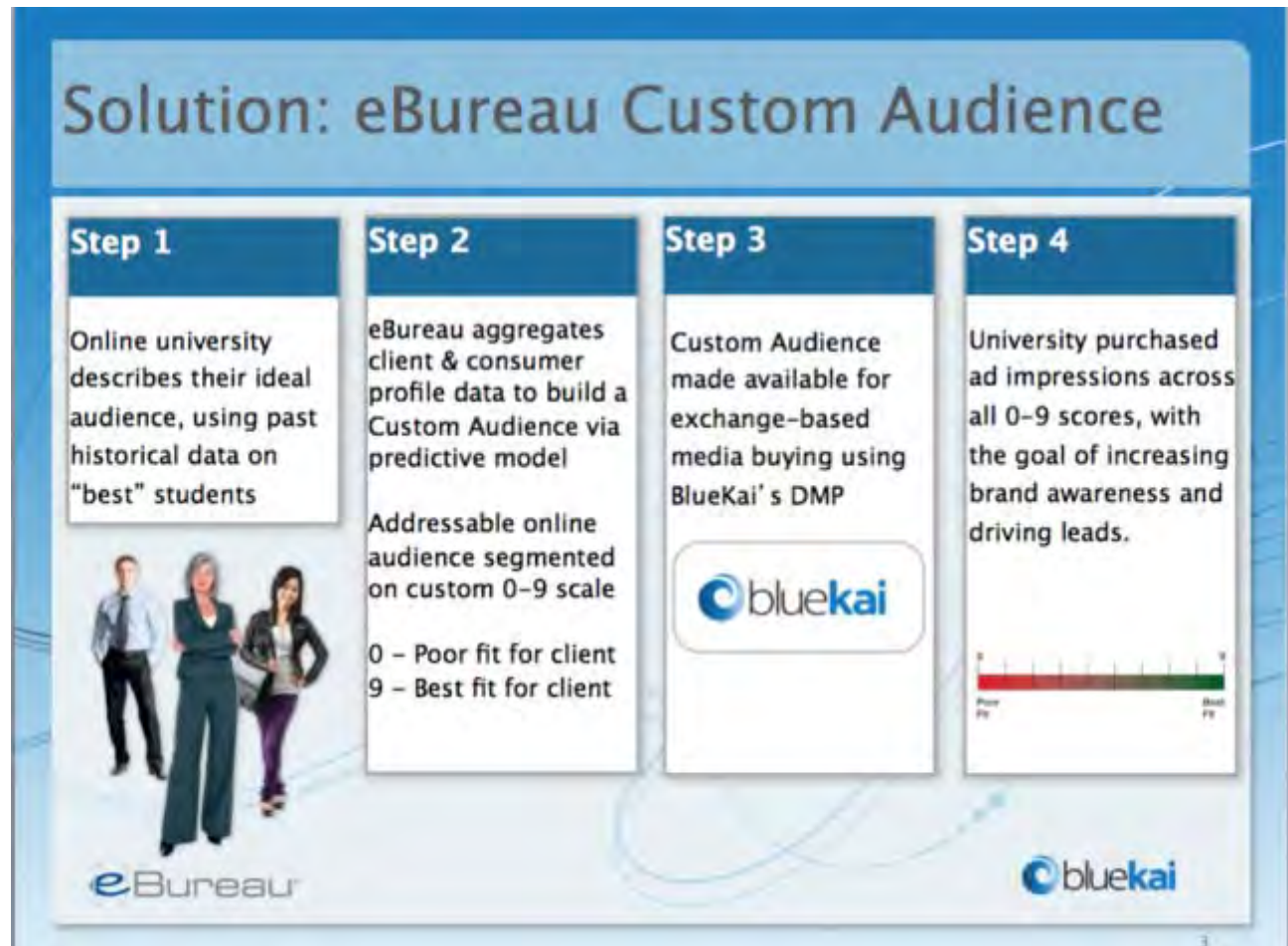


With IAN-powered solutions on your side, you can

PROGRESSIVE

Strategically define your markets, and the demographics, lifestyles,

Example: eBureau's score product for an online for-profit university. Invisible, non-transparent, unaccountable. Such scores can be used to determine pricing, including discriminatory pricing.



Online, financial consumers are targeted and consumers are auctioned off

- Scoring is highly developed by financial firms
- Web calculators are actually data collectors
- Loan searches put you on misleading lead-generator sites that auction you to highest bidder
- On and offline data combined to create predictive financial e-scores

Looking for financial info and use an online calculator or a fill-in form? Your data will be collected to add to your profile, a profile you don't know about.

Form. These cut-down registration forms can have as few as 8 fields of data of input from the applicant (see examples below). This means less applicant time and effort is required thus reducing frustration and boredom and minimize the risk of registration form abandonment, as the registration process is easy and brief. Conversely, low quality sales contacts can be required to fill out more fields to fully qualify the lead.

Example 1: Life insurance web screen shots



Amount of Life Insurance Coverage? ?

How Long do you Want Your Coverage for? ?

Who is this Policy for?

Best Scenario usage in the Last 12 Months?

Gender: Male Female

Height/Weight lbs

Date of Birth

Home ZIP code

Home Street Address

Home Phone

Work Phone Ext.

Please Enter a Valid Email Address

First Name

Last Name

1 Select an Area of Study

2 Select a Program

3 Enter Your Contact Information

First Name Last Name

Address

City State

ZIP code Country

Email

Work Phone Evening Phone

Same Number

What is the highest level of education you possess?

By submitting this Student Information form, I acknowledge that Kaplan University will contact me via email and telephone

The search “I need a payday loan” takes you to a “Lead Generator” page where you become a “lead. Your inquiry is “sold” for \$9-30 or more to an actual lender site that targets you for high-priced loans, rather than good choices.

The screenshot shows the homepage of Pay Loan Today. The navigation bar includes links for Payday Home, Payday Loans, About, How it works, and Applications. The main banner features the company logo and a list of benefits: approval in seconds, no credit check, no paperwork, and a high approval rate. A smiling woman wearing a headset is shown on the right side of the banner. To the right of the banner is a green sidebar with the text '3 minute application', 'Get a loan now', a state selection dropdown, a loan amount dropdown set to '\$ 300', and a blue 'APPLY NOW' button. Below the banner is a blue process flow: 1 APPLY NOW (Online application) > 2 GET APPROVED (Online processing) > 3 GET FUNDS (Direct deposit). At the bottom, a green bar states 'Guaranteed Pay Loans with no Teletrack' and a grey bar contains the text: 'When one needs money fast to deal with any kind of urgent and unexpected expenses as soon as possible. payday loans prove a good'.

As the New York Times explained, PIRG/CDD uncovered use of invisible to consumer E-Scores, predictive financial algorithms and other scoring products, with impact on all—but esp. low income consumers.

Secret E-Scores Chart Consumers' Buying Power



Tim Gruber for The New York Times

Gordy Meyer, chief executive of eBureau, in its data processing center. EBureau calculates consumers' buying-power scores, which take into account details like occupation, salary, home value and spending patterns.

By NATASHA SINGER
Published: August 18, 2012

ST. CLOUD, Minn.

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You for Sale: [AMERICANS are obsessed with their scores. Credit scores.](#)

FACEBOOK
TWITTER
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“These digital scores, known broadly as consumer valuation or buying-power scores, measure our potential value as customers. What’s your e-score? You’ll probably never know.

... The result is a private, digital ranking of American society unlike anything that has come before.”

FICO is a major player in online scoring.

What Would You Do if You Knew Future Behavior?

	If they would in future...	You could...	And accrue the benefit...
 Tara	Make a large balance transfer in 15 days	Increase credit limit Special offer on balance transfer	Grow revenue
 Lauren	Spend on car repair expenses next month	Offer auto loan	Cross-sell lender products
 Jake	Cancel the card in 2 weeks	Offer incentives for card usage	Keep revenue channel open

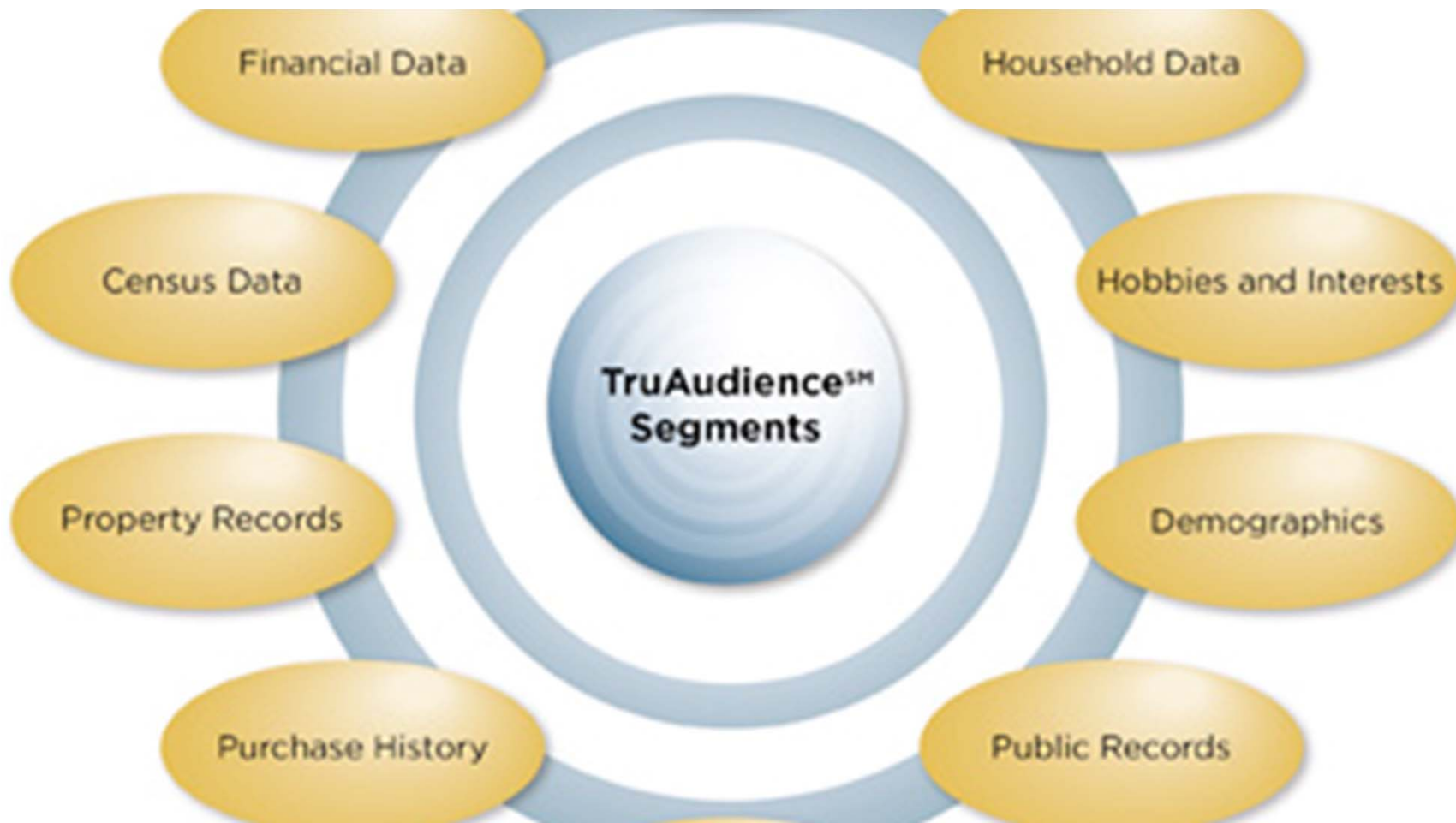
FICO

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FICO claims its online activities are unregulated by the FCRA, because it is only at neighborhood level.



Digital E-Scores can be used to determine pricing or service; or even whether you are offered a product at all.



Is “dynamic” pricing that results in some consumers paying more than others fair? Is it legal?

“One area of growing concern is **discriminatory marketing offers**—qualifying some consumers to be eligible for discounts or other benefits, based on **behavioral data**, and disqualifying others, all without giving consumers the opportunity to ensure that the information on which these decisions are based is accurate.”



**FTC Commissioner
Julie Brill**

quoted from a speech to the
Direct Marketing Association,
12 March 2013

Next frontier: mobile web/mobile wallet and need for scrutiny

- Mobile, on-the-go decision-making (point of purchase merged with point of influence)
- Individuals can be reached in real-time with offers
- Greater insight into financial behaviors enables new forms of discrimination

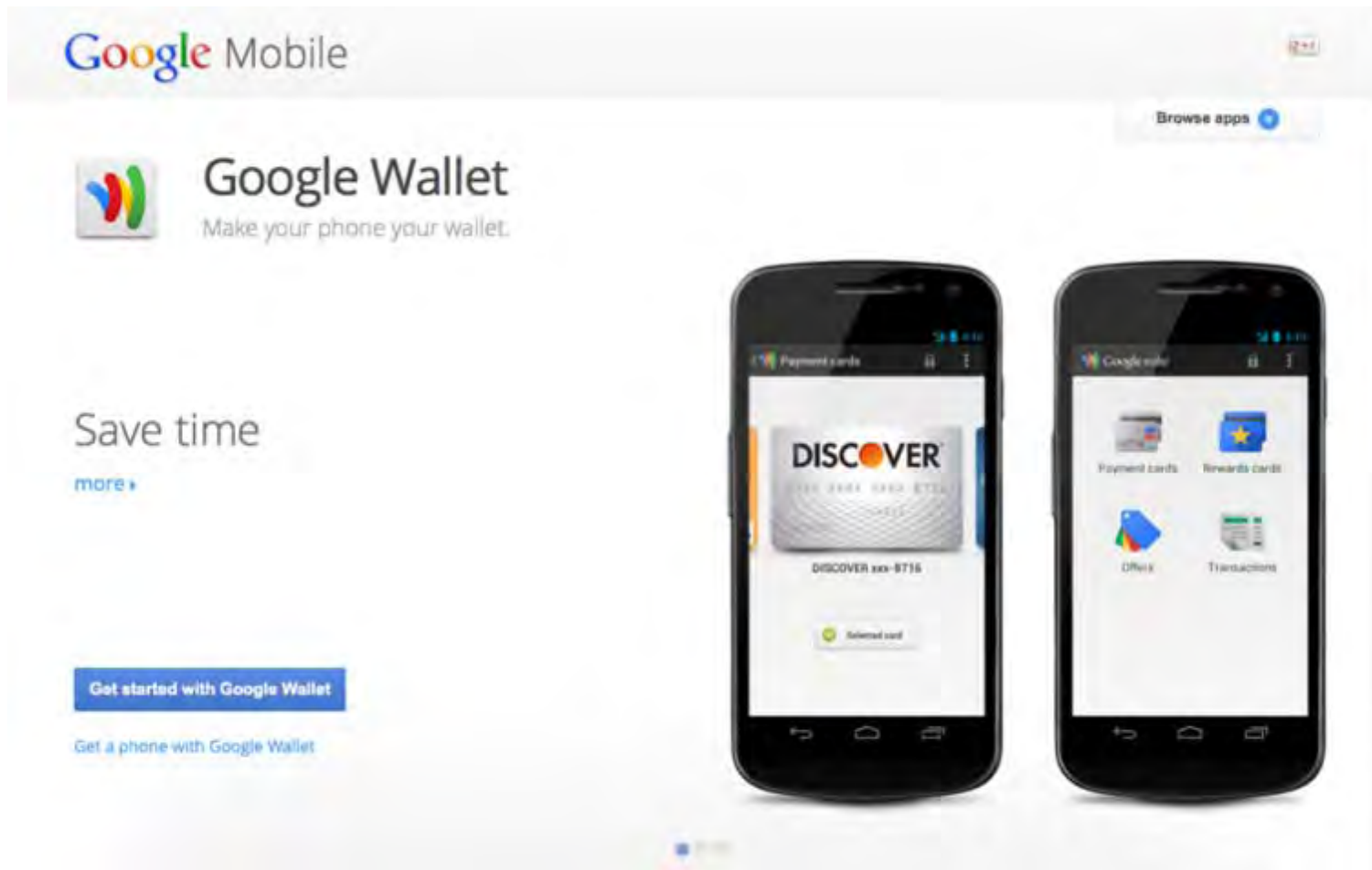
US consumers are facing further fundamental changes to how they buy and pay for products and services. Mobile is key: geolocation and geofencing data are key.

3. Mobile devices are at forefront of marketing



- Mobile use among teens (and children) soaring
- African American and Hispanic teens – greater use & engagement
- 24/7 accessibility
- Geolocation, geofencing, geomapping
- Coupons, social check-ins
- Point of influence linked with point of purchase

The mobile wallet changes who controls a transaction. If you don't take out money or a credit card to pay, who is driving the transaction? Think about it. (Google is just one example of players.)



Positive potential of Big Data practices with financial marketing, at-risk consumers

- New sources of lending for low-income consumers
- Greater opportunity to control expenditures through mobile phone use, including discounts
- Ability to comparison shop for best price
- More affordable and competitive products and services

Summary and Recap of Big Ideas

- Critical period of accelerated change in financial services marketplace made possible by both “Big Data” and digital media
- New practices in the marketplace provide potential for reward and risk
- Review of regulatory safeguards required

Agency activities

- FTC is watchdogging use of social network data and enforcing existing law
- Imposed orders on apps firms using social network data for employment
- Regulators have proposed guidance on collection and use of social network data

Important next steps:

- Research and public education on new financial marketing practices impacting at-risk consumers
- Collective Action: Out-reach, constituency-building, and organizing to address critical issues
- Regulatory advocacy at federal and state level

Thank you.

- Contact:
- Ed Mierzwinski, edm@pirg.org
- Jeff Chester, jeff@democraticmedia.org
- Forthcoming from authors, Suffolk University Law Review “Selling Consumers Not Lists,” available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2188560 OR <http://bit.ly/U3amgN>

All industry charts and screen shots in presentation used for educational purposes only.

Question and Answer Session

Ed Mierzwinski



Jeff Chester



Beadsie Woo



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