



CUSTOMER CENTRICITY AND DATA STRATEGY: WHERE DO WE STAND?

MARKET ANALYSIS THOUGHT

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Artificial Intelligence (AI) is a technology that has been in the spotlight like no other. With its spectacular advances in generative AI, boards in every industry are taking notice, and our industry is no different.

Artificial Intelligence (AI) can potentially revolutionize how we interact with machines. Large Language Models like Chat GPT are just one example of how AI can change the game. With the help of AI, the industry can make its services accessible to a wider audience and democratize its offerings.

When it comes to AI, data is everything. While it may seem like data is becoming a commodity, the truth is that input data such as KYC, financials, and invoices still require a significant amount of cleaning before they can be used effectively. On the other hand, output data, which refers to the targets AI models aim to achieve, such as policy subscriptions, premium payments, and claims, are still far from being considered a commodity.

To fully leverage this technology, we should analyze our customer data assets, identify new sources, and integrate them step by step to enhance our business intelligence.

Segment and tailor offerings

As a young professional in the financial services industry, I talked with a business school fellow who was embracing a marketing career in sports apparel. He told me how surprised he was that the offer was so little segmented. It was 20 years ago, and little


has changed. The banking industry still contemplates retail, wholesale, and corporate customers. Export finance has developed offers for shipping and aviation but still battles to offer tailor-made solutions to the smallest customer segments.

Our industry has the means to develop new offers and enrich its traditional product offering. Underwriting desks are often organized by industry or geography, and insurance product developers may gain from exploring their data further. Supplier and Buyer payments practices data by use of goods or services in value creation, by industry, by country...analysis could provide insights to enable coverage of smaller transactions by lowering specialization costs.

Trade and infrastructure finance gaps would greatly benefit from such segmentation and a more tailored product offering. The ADB reports on Trade Finance gaps, Growth, and Jobs Survey from 2019 and 2021 show that SMEs needing help finding appropriate financing alternatives to traditional trade finance after being rejected have dropped from 47% to 18%. Yet it must be noted that these alternative financing sources are based mainly on own funds (40%) or informal financing (17%), largely funded by business partners, i.e., intercompany credit. Such statistics show that by knowing our customers better, as their business partners do, our industry could facilitate the move from informal to formal financing for suitable SMEs.

Understand customer-specific data!

All this comes from the data a company can collect on its business partners. To this extent, our industry could do much more given the opportunities its customer's digital transformation provides. Financial statements, when audited and publicly published, have become a commodity and can't be any longer the sole source of truth to grant every form of financing.



AI can democratize the industry and serve new customers alongside language models like Chat GPT.

Financial institutions still primarily rely on them to run their creditworthiness assessment models even if professionals on the ground are used to collect much more information. This information was difficult to capture as data, but is it still true?

Let's contemplate two cases which our industry is familiar with:


- International trade: Containers are tracked with RFID chips; vessel trips are monitored by satellite, and it is easy to follow any unforeseen climate event via the Internet. How much of this data is intended to be captured by underwriting systems today to allow for the cover of a small business transaction?
- Construction: Trackers are everywhere; BIM has created opportunities to monitor job site progression thanks to digital twins, and project and finance data have never been that close to being reconciled in construction company's dashboards. What has our industry done to collect and process these data?

As an industry, we have the target data to train powerful AI models to help us replicate the groundwork our staff used to do informally and provide more cover on data-based judgment rather

than on expert-based decisions. It is this way that we will democratize export finance coverage. SMEs will never be large corporates. They will never be able to provide large corporates' collaterals or credit history. Yet, thanks to digitization, they can offer more and more data points to demonstrate their character and capability. Our credit assessment models must get ready to ingest them.

'Qui trop embrasse, mal étreint'

This French expression is usually translated in English as "Don't bite more than you can chew" (I will let the curious ones check for the literal translation). The IT systems of financial institutions are, in most cases, not ready to take full advantage of AI opportunities. Yet, their data architectures are often an ideal playground to initiate experiments.



It is vital to start to collect data domain by domain at a digestible pace to build future models whose outcomes have not been tested against the data.

The administrative and regulatory burden has forced us to set databases for structured data and data lakes for unstructured ones, allowing us to report defensively upon request on almost any decision support material. By doing so, we have developed data assets that could be enriched and leveraged much more than they nowadays are. Temptation could be high to collect as much data as available, but it wouldn't be the most intelligent strategy.

Regarding the product offering, alternative data should be collected only if they can help revise the underwriting decision, provided a trade finance application has been rejected for lack of information or collateral. A thriving marketplace in LATAM has recently developed a financing offering for SMEs based on their trading history on the marketplace. By simply collecting payment and customer sentiment data, they have created a model allowing credit to

customers whom traditional players wouldn't have considered.

We have data and talents to make value out of it. What is required is to build exemplary data architecture and proper collection pipelines. AI is here to last behind the Gen AI fashion, given its learning capabilities. It is vital to start to collect data domain by domain at a digestible pace to build future models whose outcomes haven't been tested against these data. The gap in Trade Finance is widening, but there is still much to test to reduce it. ■

About Tinubu

Tinubu is the business facilitator and exchange enabler that delivers fluidity and simplicity to the insurance industry by using the strength of collective performance.

Our company is an alliance of technology software and insurance expertise offering the best combination to its clients. It covers the entire value chain of credit insurance & surety with one end-to-end platform, connecting every part of your business with one digital highway.

Established in 2000 and headquartered in Paris, France, Tinubu is an independent software provider and employs 170 people, located in Paris, London, New York, Orlando, Singapore, and Montreal. Its clients represent 30 of the top 60 Credit & Surety underwriters worldwide.

About the Author

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Thomas and his team are developing outside-the-box solutions to tackle the industry pain points, and are augmenting Tinubu's competence in advanced technologies (blockchain, AI, quantum computing).

He has built an expertise in trade finance and balance sheet management as an advisor for financial institutions at CSC Peat Marwick and lead the European business analysis team dedicated to surety bonding at Atradius.

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