The future of financial data

A look into 2022

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Executive summary

2021 was marked by unpredictability. If at its beginning we hoped we would be “going back to normal” in a matter of weeks, by the end we were sure that “the old normal” is not coming back, and that even “the new normal” is a transient concept.

As the notion of privacy continues to evolve in the face of technology personalizing more and more of our lives, important questions are asked about our financial data as consumers. Who does data belong to, the user or institution holding it? Which entities should be allowed to access it, and under what conditions? How is that data protected, and who is responsible when it’s breached? How can data be used to help consumers in ways previously unavailable? And so many others.

For a close understanding of the everchanging space of financial data, Tearsheet collected predictions from opinion and decision makers in some of the major players in the space. We asked: **What were the biggest trends in financial data this past year? How will these trends be carried into 2022? And what new trends can we expect to emerge in the coming year?**

The most important trends of 2021, and how they will play out in 2022

Leveraging alternative data

“There has been a perfect storm of funding, innovation, and consumer acceptance that has propelled the use of alternative data to power **innovative fintech products with better customer experiences**; everything from innovative credit card underwriting models like Petal is doing, to alternative lending approaches.”

Aaron M. Gregory
Co-Founder & CEO: *Upwardli*

“We continue to see the race for new, alternative datasets that can provide a critical edge for companies seeking profitability. For example, how satellite images of shipping lanes might impact the P&L of an ecommerce business.”

Yaron Shapira
Co-founder & CEO: *8fig*

“The ability to use data to personalize digital experiences will continue to develop and improve in 2022. With more companies moving to a public cloud environment, there will be **greater opportunity to partner** with fintechs and other data sources. This opens endless possibilities to integrate all sorts of data, such as spousal/partner benefits, elder care expenses, student loans, medical claims, and more. The ability to bring data together to paint a **holistic picture of household finances** will lead to more personalized digital experiences. The ease of data integration is one of the greatest opportunities to build on the data personalization trend in 2022 and beyond.”

Santhosh Keshavan
CIO: *Voya Financial*

Rethinking credit

"A trend that grew in 2021 was institutions finally acknowledging **credit invisibility**. In Canada, 35% of Canadians are credit invisible, compared to 19% in the United States. This is a significant section of the population that simply does not "exist enough" for credit scores. Since this issue **disproportionately affects minority communities**, more pressure than ever is being put on banks to find alternative data sources for reviewing applications.

Neobanks tend to be flexible compared to more traditional financial institutions when it comes to implementing new and improved services. **Smaller, more targeted banks may capture large portions of underserved clients** such as small businesses and credit-invisible populations. As brand awareness and market acceptance for these neobanks grows, this will light a fire under financial institutions to evolve rapidly."

Nick Chandi
Co-Founder & CEO: *ForwardAI*

"Clear, technology-derived insights into individual companies' **financial data will make it much easier and faster to demonstrate creditworthiness**, thus improving the ability to secure financing. This is a much smoother and more comprehensive process than what currently exists -- assessing a construction company's creditworthiness based on the credit of the individual owner."

Zaid Rahman
CEO: *Flexbase*

"Over the past year, there has been a realization that in a volatile world, it is no longer sufficient to rely on limited sources of data or one-size-fits-all underwriting strategies to make high-stakes financial decisions. In particular, more lenders have been **going beyond typical credit bureau data** to use detailed cash flow information, payroll and employment data, asset information, and more, and they have combined digital data feeds with automated document processing to form a cohesive and detailed picture of a borrower's financial condition. Whether due to a global pandemic, a supply chain crisis, or rapid inflation; data from a borrower's past is less likely to be representative of the future, and **lenders need to incorporate more diverse and real-time information."**

David Snitkof
Vice President of Analytics: *Ocrolus*

"By leveraging data to offer instant decisioning and credit, you can **strengthen the relationship between buyers and sellers** by providing sophisticated fraud detection processes and maintaining a strong track record for risk decisioning. This is particularly important in B2B as business customers are more frequently looking to purchase on-terms and will spend more, more frequently, when they have a dedicated financial relationship and credit line with a business."

Joel Campbell
CFO: *TreviPay*

The improved and personalized customer experience

"In 2021, consumers got used to **improved banking services** as businesses went remote and upgraded their operational technology. So now, we're seeing business-owning consumers annoyed and disappointed in banking institutions that haven't "caught up" their B2B services. And financial institutions have noticed. Luckily, fintechs are offering tech that makes these processes much more profitable for the lender. For instance, we've seen lenders make SMB financing decisions in seconds rather than weeks with our API integration."

Nick Chandi
Co-Founder & CEO: *ForwardAI*

"**Personalized and conversational dashboards** to generate insights customized to a user's needs are replacing static, predefined dashboards. User behavior and user declared data drives the personalization here.
The conversational component (plain English text queries to retrieve data) democratizes insights and analytics to non-technical consumers. This shift to personalization and conversational dashboards is being driven by NLP and the ability of AI to generate SQL queries from plain English text queries."

Ankur Patel
Co-Founder: *Glean*

"In financial services, data is the key element to personalized customer experiences. Consumers need help making the right decisions for their unique, individual circumstances and personalized data provides the information to offer the guidance so desperately needed when making retirement, employee benefits and investment decisions. Health events, student loans, emergency savings all impact retirement income and future financial wellness, so **integrated personalized data** is fast becoming an emerging trend of the future."

Santhosh Keshavan
CIO: *Voya Financial*

"**Data personalization and omnichannel access** will be key for the B2B industry. Business buyers who require a variety of payment options, including net terms, are beginning to expect that their purchases be transacted and trackable with the ease and convenience of an Uber transaction. This means that organizations must make customer financial data, such as available store credit and open invoices, accessible in a variety of ways – i.e. in store, online and even via a mobile app."

Joel Campbell
CFO: *TreviPay*

The rise of SMBs

“A game-changing trend this year was the interest and growth in the small business lending sector. Historically, small business has always been left behind in terms of companies putting R&D towards them. This is probably because small business loans tend to involve a lot of “grunt” work, requiring a complete analysis and comparison of accounting books and banking statements, which is time-consuming and error-prone. It’s so much effort for lenders that haven’t upgraded to direct data integrations that it actually costs the same amount for them to underwrite a 50k loan as it does a 250k loan. With the old system of underwriting, it simply wasn’t profitable.”

Nick Chandi
Co-Founder & CEO: *ForwardAI*

Preparing for the unpredictable

“COVID-19 cast light on significant gaps in personal finances and emergency readiness. Now, with more awareness and a greater sense of urgency, consumers are **looking to their financial institutions to give them the tools, guidance, and insight** they need to build a better financial future.”

Santhosh Keshavan
CIO: *Voya Financial*

“Insurance (health, life, etc.) will continue to be more prevalent and accessible. People recently were faced with a catastrophic health crisis, economic misery, and an uncertain future. Insurance firms changed the way they did business virtually overnight to give consumers security, comfort, and peace of mind. Auto insurance companies, for example, gave reductions or reimbursements based on lower driving levels. Health insurance premiums have been changed to reflect the decrease in non-essential operations.”

Imani Francies
Fintech Data Expert: *Clearsurance*

“CFOs have had to invest in risk management to protect balance sheets, income statements, and liquidity against the continuing threat of fraud and cybercrime. In a recent study by the Association of Financial Professionals, 90% of respondents indicated that incidents of payments fraud were the same or worse than the prior year. Data points like this require CFOs and CIOs to increase their resilience in **protecting internal data,** shining a brighter light on corporate governance and internal compliance.”

Bob Stark
Global Head of Market Strategy: *Kyriba*

The mainstreaming of crypto

“Previously, crypto and decentralized finance (DeFi) have been the domain of only hardcore finance fans, but crypto has become significantly more mainstream in the last year. We’re starting to see **increased awareness and specific allocation of portfolios** towards this new asset class, which may play a role in the future due to the visibility of this new financial data via the blockchain. It’s just a matter of time before underwriters begin reviewing this kind of data for loan applications as well.”

Nick Chandi
Co-Founder & CEO: *ForwardAI*

An expedited digital transformation

“One silver lining from the pandemic is that it hastened 5-10 years of technology adoption in the normally entrenched, change-averse construction industry down to 18 months. These companies have gotten a taste of what is possible with technology and now they want to apply it to their financial data in order **to improve their financial position and growth prospects.** We see this as an area of building interest continuing into 2022.”

Zaid Rahman
CEO: *Flexbase*

“There were **critical updates to aging core systems.** Financial infrastructure was put to the test, and current architecture design assumptions were questioned. Many of the fundamental systems had not been designed to handle the volume and speed of change that had suddenly become necessary, and aging core systems battled to keep up.”

Imani Francies
Fintech Data Expert: *Clearsurance*

“One area this modernization has been particularly pronounced is in the back office, and the handling of financial data for accounts receivable/accounts payable functions. Activities that weren’t necessarily “broken” before the pandemic, suddenly came to a standstill. **All of the back office financial data processes had to immediately modernize and digitize,** like onboarding, billing, reconciliation, dispute management and collections. For example, invoices had to go completely digital and had to become significantly more thorough by including all necessary data, like PO numbers, so that they could better be processed by automated systems.”

Joel Campbell
CFO: *TreviPay*

Open banking at the forefront

"After many years of inaction on the subject, the Biden Administration has issued an executive order requiring the CFPB to issue rules that standardize how financial data is accessed and shared among financial institutions. Buried under that snoozer of a headline is the fact that there currently is not a common standard for accessing this data -- which has meant that all of the innovation we have seen in fintech to date is just the tip of the iceberg of what lies over the horizon. Once this rulemaking is complete, **consumers will have much greater control over their financial data** than ever before, which will give them more power to easily switch financial institutions and use new, innovative financial products. I think there is a good chance that we look back at 2022 at the beginning of a **new wave of innovation across financial services,** all driven by consumer control over their financial data."

Aaron M. Gregory
Co-Founder & CEO: *Upwardli*

"This [executive order] was the first step along the path to a truly competitive, open banking ecosystem in the U.S. as the government has now recognized that customer banking data is precisely that -- the property of the customer. Consumers will likely **take a greater interest in their own data when they see the value it brings,** especially as their financial lives become increasingly complex. Not everyone will be familiar with open banking technology, but they will appreciate what it does. For example, 80% of consumers would welcome a central place to see all of their open buy-now-pay-later plans. The same proportion say that if open banking could enable this, they would use it."

Siamac Rezaiezadeh
Dir. of Product Marketing: *GoCardless*

"On one side, **companies are demanding additional data** e.g., sentiments that when coupled with financial data can provide even better signals to enhance product pricing, decisioning, and servicing overall. On another side, **consumers are more aware of their data risks and opportunities and are increasingly demanding services to achieve both**; protect and monetize their data with their consent. This leads us to the third side, which is how can this be enabled, that's where open banking comes into the conversation enabling both the consumer consent and the API exchange of data."

Farouk Ferchichi
Chief Data Analytics Officer: *Envestnet*

Automation via APIs

"API-first companies where data is part of the core offering (e.g., Ocrolus, Rossum, Hyperscience, etc.) are gaining mainstream adoption, following in the footsteps of early API-first companies such as Plaid. APIs allow companies to choose precisely which service or data they would like to **consume and pay for only what they need,** instead of having to purchase and integrate a monolithic app. APIs provide for a more modular set of offerings (you pick precisely what service or data you want and access it via an API) and ease of use (standard format to access service/data)."

Ankur Patel
Co-Founder: *Glean*

"The most important trend has been digitization of financial processes and workflows to **maximize productivity and security** while organizations manage remote and hybrid work. The drive towards hyper automation, combined with demands for data unification across disparate systems, has resulted in a different type of digital transformation than was envisioned pre-pandemic. What we have seen is a shift from decisions made with stale data to **real-time and dynamic scenario based analyses.** Further, CFOs and CIOs are leveraging Open APIs to compose financial systems and enable real-time decision making across financial teams. Examples include payment centralization, enterprise liquidity management, working capital, and bank connectivity."

Bob Stark
Global Head of Market Strategy: *Kyriba*

"The move away from monolithic apps to modular services via APIs has a lot more room to run and is gaining the most momentum. **Data as the core product via APIs is on the rise.** At Glean, we have internal-facing APIs to support our accounts payable software, but in the future we may **convert these internal-facing APIs to become external-facing,** enabling companies that wish to use our invoice processing technology directly (in a more modular fashion) without having to purchase and integrate our more complete AP solution. We may provide vendor spend insights as an API, too, to integrate into 3rd-party software that our clients already use."

Ankur Patel
Co-Founder: *Glean*

The rise of AI/ML

In the past, AI/ML was used primarily to help humans make decisions more intelligently. Now, AI/ML is being used to make some decisions automatically, removing human involvement altogether. There is **greater automation from AI/ML efforts,** as a result. Only when the AI does not have enough confidence are the decisions surfaced to humans for review."

Ankur Patel
Co-Founder: *Glean*

The move to cloud

"2021 has been a year of frenetic change in the traditionally sleepy doldrums of financial data. Many of our clients now want their financial data delivered to them directly via the cloud as part of a tiered data storage architecture. This ability -- to **marry real-time data with historical context** through enhanced data architectures -- greatly improves large and impactful in-the-moment decision-making and will undoubtedly grow in importance next year. In many ways, the cat's already out of the bag."

Conor Twomey
Head of Customer Success and Managing Director of North America: *KX*

"Before 2020, the role of cash in society was in flux, with contactless payments already commonplace on many continents, but it has grown in the last two years as a result of COVID. **This trend toward contactless payments will continue and eventually even extend to banks.** Both established players and financial tech businesses launched new finance applications or updated old ones to provide new services and programs that cater to customer demands, such as tracking government-sponsored food allowances or early paycheck access."

Imani Francies
Fintech Data Expert: *Clearsurance*

The takeover of digital and contactless payments

"I think we'll continue to see momentum shifting away from cards to other forms of payment. A recent study from GoCardless revealed that **three-quarters of Americans want to decrease their use of credit cards,** and 63% are less likely to use them for purchases now than before the pandemic. This is even more stark for younger shoppers, rising to 76% for Gen Z and 74% for Millennials. As their purchasing power increases over time, we predict a wholesale change in payment preferences."

Siamac Rezaiezadeh
Dir. of Product Marketing: *GoCardless*

"This is a trend that was already happening but was merely supercharged in 2021 (and 2020) as a result of the pandemic. I expect this trend to not only continue, but also increase even more because most financial institutions have **integrated digital payments with their investing platforms.** This trend makes it easier for financial institutions to track the spending habits of their users, which makes it easier to provide personalized, customized offerings to each customer."

Paul Sherman
Chief Marketing Officer: *Olive*

Prioritizing supply chain management

"Post-COVID demand for goods has created challenges in supply chains. These challenges are not only logistical, they are also financial challenges. As such, **financial solutions for the ecommerce industry** are taking supply chain data into their calculations on a more regular basis."

Yaron Shapira
Co-founder & CEO: *8fig*

"We see an uptick in companies' interest to leverage, compliantly more financial data to **inform and improve existing analytical models throughout the customer lifecycle.** This ranges from enhancing marketing up-sell and cross-sell campaigns, improving credit underwriting and loss forecasting, enhancing operational risk monitoring, to driving more personalized consumer servicing experiences. As such, we see evidence of a move toward more vertical thinking of data e.g., financial data."

Farouk Ferchichi
Chief Data Analytics Officer: *Envestnet*

"Finally, supply chain and inflationary pressures have **renewed a demand for enterprise liquidity management** with CEOs and boards expecting multiple views on their organization's liquidity survival and strategic plans to maintain growth against these market headwinds. Organizations are now using data analytics to quantify their firms' vulnerability to currency and interest rate risk to position themselves for continued financial volatility."

Bob Stark
Global Head of Market Strategy: *Kyriba*

The reach of social media into the financial industry

"The short squeeze of Gamestop's stock at the beginning of the year, led by the army of day traders on the WallStreetBets subreddit, was a seismic event that will have repercussions for years to come. Aside from the dangerous attraction of the rare, get-quick-rich, longshot "meme" stock, in terms of financial data, I think this will forever change the kinds of things investors will look for when it comes to due diligence. The emergence of the "Reddit investor" hasn't changed the fundamentals and data around what one should study when investing -- e.g., P/E, debt, cash on hand -- but it behooves all investors to be aware of how **social media might shift the fortunes of companies or whole industries, sometimes in seconds.**

Institutional finance will start to put real muscle behind analyzing the social media conversation and finding a way to better control that to their advantage. I think we'll see even the biggest names in institutional finance start to better understand what is happening in real-time, in **a bid to better steer that conversation toward their own intelligence and interests,** treating platforms like Reddit with the same attention and seriousness they do the Bloomberg Terminal."

James Giancotti
CEO: *Oddup*

Shifting the focus to Millennials and Gen Z

"Data analysis has shown us that financial services must increasingly consider **young people between 18 and 35 years old.** A study carried by Maven Road with data from Twitter, Facebook, News, Blogs, Forums, and English conversations obtained from January 1st, 2020 to May 31st, 2021; led us to the conclusion that **this group is the one that moves the conversation about youth investment the most.** Surprisingly, there is barely a 6.8% share of brands in this conversation. It is an opportunity to reach a young audience that has not yet been loyal to banking companies and demonstrates the critical role that data analysis will play in identifying changes in the consumer and responding to them in time. Financial companies that bet on data analysis during 2022 will have a competitive advantage over others by knowing the trends and changes of motivators in their target audience, buying time to reach them with their products and services."

Paul Herrera
COO & Co-Founder: *Maven Road*

Personalizing communication

"Digital channels such as mobile apps are inherently impersonal. It's up to banks to change that, by **adapting their messaging** to a user's situation, such as a birthday, anniversary, or financial milestone, using their platform of choice. Fortunately, more institutions than ever are learning to **err on the side of too much** -- especially regarding issues such as suspected fraud and insufficient funds -- rather than too little, knowing customers will speak up if they're saying too much.

During the COVID-19 pandemic, for example, 42% of U.S. consumers had to contact a financial services provider to help them manage existing credit commitments, and when proactively contacted by their banks about a repayment situation, 78% of consumers said that they were contacted in the way that was most convenient for them. We expect financial services leaders to maintain this commitment to personalized messaging, knowing that **one size does not fit all, or even most."**

Darryl Knopp
Senior Director, Portfolio Marketing: *FICO*

New trends that will emerge in 2022

An increased desire for security and privacy

“With the continued rise of and demand for data personalization, there is also an **increasing vigilance for data security and privacy.** The two concepts of personalized experiences and data security/privacy may be counter-intuitive, but they are of equal importance. To balance these two polarized consumer needs, the financial services industry will see a rise in the recent trend of **data transparency and consumer choice** on how personal data is used and who has access to it.

In 2022, security, privacy, and transparency of financial data will need to evolve and adapt in lockstep with the demand for more personalized digital experiences. As a result, **the ethical use of data** will take on a more vital role -- particularly as more data converges and can be analyzed and leveraged using modern technologies like AI (artificial intelligence) and NLP (natural language processing). There is a fine line in taking data personalization too far and that is where the ethical use of data will come into play as an important trend and demand from consumers.”

Santhosh Keshavan
CIO: *Voya Financial*

Improved data analytics

“We will see continued improvement among data and analytics platforms, as they are faced with **a growing variety of datasets that need to be ‘cleaned’ and aligned to procure the most insights.** Those who can make this process faster, more comprehensive, or easier (as self-service) will thrive.”

Yaron Shapira
Co-founder & CEO: *8fig*

“An emerging topic that will become a trend is **a shift in focus from just data quality to “data confidence”.** As more organizations invest in projects focused on improving data quality, they are still failing to see the benefit. They are realizing that there are human factors, including confidence, that have to be addressed. Many executives have become so conditioned to bad data that they don’t trust the data, even after a quality improvement project. Addressing this will require an approach **where technology meets humanity** and trust/confidence is earned by the data organization.”

Michael Goodman
VP of Business Insights: *NTT DATA*

Be driven by data or be left behind

“Actionable data is now a reality due to the growth of data that financial institutions hold, as well as their ability to operationalize data ingestion, analytics, and AI. This will be a large focus for industry-leading financial institutions. **The data that customers share with you, explicitly and implicitly, is an asset.** The capability to provide a new level of transparency and awareness to customers is now a high industry demand, and data ingestion is at the forefront of that.”

Darryl Knopp
Senior Director, Portfolio Marketing: *FICO*

“Companies that are truly data-driven are winning the day. They are more agile and can pivot faster to market shocks. We saw this throughout COVID -- **data-driven organizations didn't just survive, they truly thrived.** In 2022, a financial institution must look at themselves in the mirror and determine whether its technology is substandard and only deemed "good enough" by today's standards. Does it support data availability and system resiliency? How is it contributing to our data quality? Are we truly a data-driven organization? If the answer is “no,” then you're really going to be left behind during this financial data revolution.”

Conor Twomey
Head of Customer Success and Managing Director of North America: *KX*

Partnership over competition

“If financial institutions are smart, they will pay greater attention than ever to the strategies of **the upstart fintechs that are augmenting and, in many cases, surpassing their own services next year.** One recent FICO survey found that while 86% of U.S. consumers are satisfied with their banks, **only 1% mentioned a bank when asked what they consider crucial to the future of their financial success,** and 34% reported having at least one shadow financial account or engaging in shadow financial activity with a non-bank financial services provider.
To drive the point home, the research found that 45% of respondents would pay a monthly subscription for unlimited access to new products and services such as money-related negotiation support, self-serve budgeting and investing, and spending advice – and that 70% would be “likely” or “very likely” to open an account with a competing provider that offered these products and services. **Financial institutions need to understand when to partner with fintech and when to compete against them.”**

Darryl Knopp
Senior Director, Portfolio Marketing: *FICO*