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## COVID-19 spurs big data partnership between Marketing and Financial Services

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Consumer marketing data holds the key to predicting market risk and financial performance through 2020. Conventional financial analysis has fallen short during the COVID-19 pandemic and is leaving firms scrambling to find predictive alternatives to manage the year ahead. The unprecedented market shocks induced by the COVID-19 crisis have obsoleted most traditional models which rely on reasonably stable conditions and slow-moving historical data. The result has been a surprising boon for marketing big data providers who, through detailed tracking and data collection of consumer data, now have the greatest insight into firm-level performance in 2020.

If we think of people as being the cells that make up our living economy, then marketers know and track all the cells that make up each industry. So, when a massive industry shock occurs (e.g. all restaurants shutter), marketers are uniquely positioned to foresee many other changes in the economy resulting from those weakened 'cells'. Marketers can see how industry shocks ripple through these connected cells in ways that the traditional financial players cannot because marketing data is so granular.

It's not a new idea to use marketing data for financial calculations. An early example was customer lifetime value (CLV) estimates to predict revenue streams and ultimately value companies. Google Trends has correlated well with many macro-patterns and has been shown to predict daily stock movements. Similarly, Twitter and online news sites have been used to compile sentiment indices to predict brand value and market performance. The common trend in all of these examples is that you can predict firm performance through customer actions.

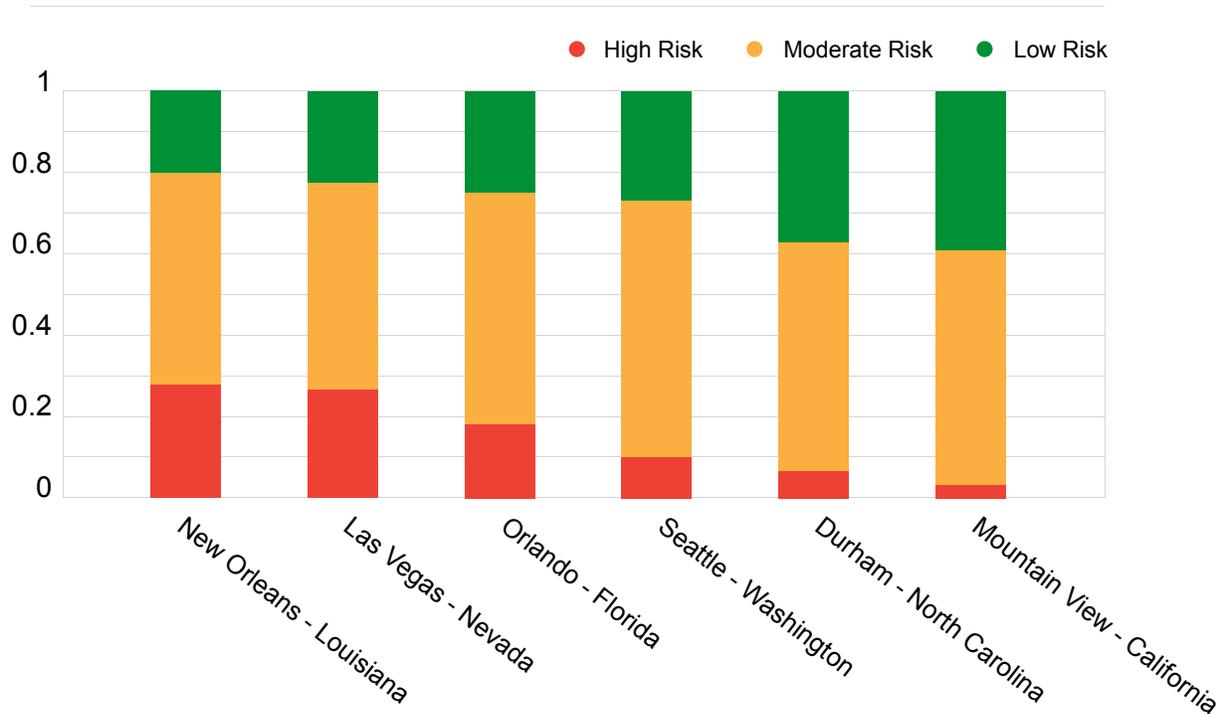
However, the progress of financially transforming marketing data has not kept pace with the big data expansion of the past decade. Most marketing data is being used as high-level aggregate data that describe large trends. While this is the logical first step, it completely misses that marketing big data starts with the individual and is abundantly rich in nuance for each and every person. Marketing big data is uniquely positioned to shed light on almost every aspect of the financial world.

Before any privacy skeptics get too alarmed it is worth noting that from insurance risk pools to credit applications, individual-level data has long been aggregated for market segmentation. Both economic theory and decades of practice have shown this to benefit firms and individuals by encouraging better behavior where all parties can share in the rewards. The untapped potential for financial services is not a new method but rather seeing marketing data as a new source of information.

Consider the municipal bond market, a particularly conservative and traditional asset class. Historical payment records, tax base projections, and cash balances suddenly do not mean a whole lot at the municipal level when a third of the town may become unemployed by the end of this year. But a good marketing data set can tell you the main industries that employ people and pay taxes in a town. This in turn can predict whether it's 20% or 80% of the workers in a locale that are at risk of losing their income.

The figure below illustrates the back-of-the-envelope exercise of using the Bureau of Labor Statistics employment data to classify industries into three risk categories based on unemployment filings. By just quantifying the proportion of jobs by industry-risk in a town, one can create a better projection of municipal bond risk in 2020 than any other single factor.

Figure 1 – Municipality Income Risk Exposure



This exact same type of analysis can be extended to assessing the health of many classes of commercial operations as well. Consider trying to evaluate a mall or other retail space servicing the surrounding community. A similar analysis as above will quickly show what percentage of shoppers around that mall are at-risk financially over the coming year.

Alternatively, consider large apartment owners with properties scattered across the country. They are surely a concerned investor group since almost one-third of tenants did not make their April rent payment this year. A sufficiently good marketing data set can also highlight the industry exposure in these property portfolios. It's even possible to quantify which buildings, say in mid-town Manhattan, are occupied by +80% of workers in at-risk firms. These buildings will almost certainly experience liquidity problems before the end of the year. A verbatim analysis can be done on the mortgage portfolio of any bank, all of which are predicting large losses this year, but none are quite sure how large or where these losses will be concentrated.

Insurers are also wondering which construction projects are still going to continue or which areas are still going to have accident claims. Again, cellular marketing data will immediately highlight the levels of activity in various areas leading to probably the most accurate predictor of motor vehicle accident claims in 2020. Geo-specific industry exposure will also correlate well with large construction projects being delayed or canceled.

Furthermore, the COVID-19 pandemic has pushed the retail market to be almost entirely online. Where once hedge funds paid exorbitant fees for satellite imagery to gain an edge at predicting retail sales, all one needs now is a pixel on a store's website to have real-time predictions of total retailer traffic and revenue. ComScore is probably in a better position than any hedge fund in 2020 to predict retailer share prices.

Tapping into this rich set of insights at an individual level can help investors and organizations navigate the impact of COVID-19. Just as we all must recalibrate to the new normal of 2020, so too must all financial models recalibrate to this new reality. And in this new world, marketing big data will become an invaluable asset, if not a requirement, for much of financial services.

## About Aidentified

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Aidentified was founded by twin brothers Darr and Tom Aley after a number of successful data related ventures and work at Amazon, D&B, and Dow Jones. The opportunity they saw that was unmet was the "Holy Grail" of combining an individual's consumer and professional attributes into a unified single / household profile and using new technology to surface relevant relationships.

Leveraging a database of 300 million U.S. profiles, Aidentified uses the latest AI and machine learning technologies that allow its customers to search for prospects based on recent wealth events that include stock trades, mergers and acquisitions, IPOs, management changes, new company investments, income, age, location, position within a company, personal interests and more. Aidentified's proprietary Relationship Mapping algorithms further help by connecting our customers' personal and corporate networks and their client networks to find the strongest and fastest path to a prospect.

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