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

For the Asset Funders Network,
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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
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.

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<th>Age of Big Data: The Amount of Data Available is Overwhelming</th>
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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.
Multicultural targeting of Hispanics is a key element of the online ecosystem.

- On average, weekly time spent with the Internet across all screens exceeds the amount of time spent watching TV - This is true for Hispanics and non-Hispanics
  
  **Media Consumption Average number of hours spent weekly**
  
  - Hispanics spend less time watching TV vs. Non-Hispanic: 8.3 hours vs. 10.9 hours
  - Hispanics spend more time on Internet across all screens (8.7 hours) vs. TV (8.3 hours)
  - Hispanics spend more time on mobile phone vs. non-Hispanic: 4.1 hours vs. 3.6 hours

Source: 2012 Terra Hispanic Digital Consumer Study by comScore
More multi-cultural targeting is aimed at African-Americans.

5 digital truths about African Americans

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

“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.
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.

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Question and Answer Session

Ed Mierzwinski  
Jeff Chester  
Beadsie Woo

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