



# Turn Scoring Roadblocks into Revenue-Generating Relationships

Learn how knowing your small business customers can uncover opportunities





# Finding the right opportunities in a rapidly changing market



Most economic indicators and feedback from small business owners point to continued growth and stability in the small business lending market. It's an optimal time to expand market share by building and nurturing your portfolio of small business clients.

One of the biggest obstacles lenders face can be traced to the fluidity that is characteristic of many small businesses. Organizations in constant motion make getting a clear picture of business performance and creditworthiness an ongoing challenge.

In this e-book we take a closer look at the factors contributing to the small business data chase and ways LexisNexis® Risk Solutions can increase your decisioning advantage.

# Data ambiguity and information overlaps often cloud the small business risk picture

Getting a current view into small business risk is complicated by the fact that small businesses are continually and sometimes, very rapidly, changing. Business openings and closings, changes of address and even changes in ownership are more frequent in the small business market and create a higher level of data churn.



The number of small businesses bought and sold hit a record number in 2018 with **10,312** businesses reported sold for the year. This was a **4%** increase from 2017 when there were **9,919** businesses sold.<sup>1</sup>



From 2005 to 2017, an average of **78.6%** of new businesses survived one year. About half of all businesses survive five years or longer.<sup>2</sup>



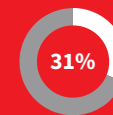
About one-third of establishments survive **10 years** or longer.<sup>3</sup>



Small businesses often blend personal and business information, creating higher levels of data ambiguity and making it hard to distinguish between the person that owns the business and the business itself.



The share of businesses that are home-based has remained relatively constant over the past decade, at about **50%** of all firms<sup>4</sup>



**31%** of small businesses surveyed listed their home address as their official business address<sup>5</sup>



**22%** of small business owners surveyed used their Social Security Number to file business taxes<sup>6</sup>



**16%** of small business owners have registered business assets in their personal name<sup>7</sup>

# Limited credit footprints and time lags add further complications

Finding accurate decisioning information on small business performance and credit history is complicated. It can take years before a small business appears in a credit file. And even then, it may have a limited credit footprint due to the lack of activity or the overlap between personal and the business finances.



Almost **40%** of new businesses are self-funded, which results in a limited credit footprint.<sup>1</sup>



Almost **80%** of 4-5 year old small businesses are considered “no file” in traditional credit sources.<sup>2</sup>



Approximately **50%** of small businesses have only one trade line on file.<sup>3</sup>



It can take **3-5 years** for a new small business to appear in traditional credit sources.<sup>4</sup>



**Nearly half** of the businesses in typical commercial credit bureaus don't include details on associated people.<sup>5</sup>

# Capture decisioning advantage with comprehensive small business coverage

You're missing a lot of good lending opportunities if you wait until a small business appears in traditional credit sources. Being the first to lend to a small business gives you the opportunity to build a profitable, long-term relationship.

Your business can identify viable small business opportunities, and avoid riskier ones, with the LexisNexis® small business credit products. Accelerate access to accurate decisioning information with a more inclusive snapshot of a small business built from expansive coverage of public, proprietary and alternative data sources and industry-leading coverage of people associated with businesses.

Connect to actionable risk assessments on **50 percent more** businesses than scores built from traditional credit data alone, including millions of thin- to no-file small businesses.<sup>1</sup>

Strengthen in-house modeling by combining the LexisNexis® Small Business Credit Score with LexisNexis® Small Business Attributes, **over 200** model-ready, current and consumable risk attributes that synthesize small business data into insights for scoring models and key decisioning processes.

Identify the **most valuable opportunities** with extensive coverage of real estate, property and license information.

Access high-value information that is aggregated from more than 10,000 sources that include:



business registrations with state and local governments



points of contact and address details



assets and property ownership



firmographics



derogatory public records on bankruptcy, judgments, liens and more.



# Differentiate between profit potential and probable risk with financial performance perspective

For many small business opportunities, the right lending decision begins with robust insights into financial performance and credit history. LexisNexis® Risk Solutions is an SBFE® Certified Vendor™, which means that SBFE contributors can seamlessly access credit histories and payment data on millions of small businesses.

SBFE's commercial credit performance data has long been recognized as the industry's gold standard. The LexisNexis® Small Business Credit Report combines this deep intelligence from SBFE with our industry-proven alternative data on people and businesses to provide a complete picture of a small business in an easy-to-interpret, illustrated report.



Expand your addressable market with the ability to assess businesses across the credit spectrum from full file traditional credit histories to entities with limited footprints



Differentiate between businesses within similar credit bands with a detailed view into their financial stability



Optimize terms and strengthen segmentation to target small businesses with the best profit potential

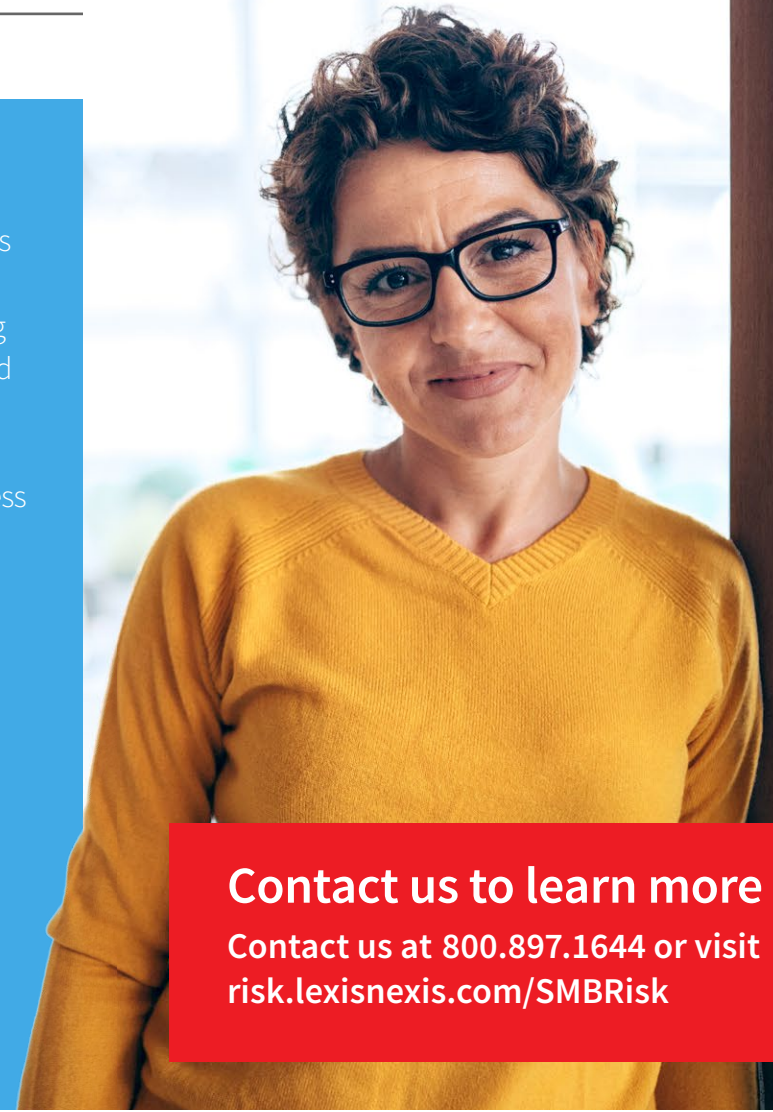


Extend your view beyond the business and understand the risks and relationships of authorized representatives associated with the business

# Expand your view of profitable small business opportunities

As lenders compete for their share of the lucrative small business market, the ability to differentiate a rewarding small business lending opportunity from a potentially risky situation will define success. Data ambiguity, overlaps between personal and business finances and time lapses in performance intelligence complicate the ability to truly understand the value of a small business entity and make well-informed, timely lending decisions.

LexisNexis® Risk Solutions scoring tools specifically solve the challenges and obstacles associated with the small business market. By leveraging multiple sources of robust public and proprietary data, as well as industry-proven alternative data, our scoring solutions deliver insights into business performance and creditworthiness that go beyond traditional credit sources. We help your business accelerate small business risk assessment with a comprehensive, holistic view of the business and its authorized representatives. Grow your small business portfolio without incurring risk by proactively identifying profitable small business opportunities before the competition.



**Contact us to learn more**

**Contact us at 800.897.1644 or visit  
[risk.lexisnexis.com/SMBRisk](https://risk.lexisnexis.com/SMBRisk)**