



HOW FINANCIAL SERVICES COMPANIES CAN LEVERAGE THIRD-PARTY DATA FOR ANALYTICS

Enrich your data and unlock new insights faster with live, governed access to external data



CHAMPION
GUIDES

EBOOK

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EXECUTIVE SUMMARY

Third-party data, which is data that comes from sources outside an organization, enables financial services organizations to optimize the performance of data models, improve decision-making based on more accurate forecasting, and deliver personalized experiences to customers. External data empowers teams across the business to make better data-driven decisions, especially when it's integrated with first-party data. However, traditional methods for sourcing third-party data are inefficient and unsecure. Traditional data marketplaces may not scale, and legacy technologies for transferring data (FTP, APIs) can require extensive engineering work before the data can be used. This situation can result in delays, stale data, and poor data analysis.

In this ebook, you will learn how to accomplish the following:

- Access live third-party data without any ETL, making the data immediately available for analysis or to merge with your own data
- Easily discover third-party data sets, such as transaction data or environmental, social, and governance (ESG) data, that best fit your business needs
- Use enrichment services to improve the quality of first-party data by securely sharing slices of your data with providers

WHY FRICTIONLESS ACCESS TO EXTERNAL DATA SOURCES IS NOW AN ANALYTICS IMPERATIVE

With customers' increasing demands for seamless experiences and a heightened focus on sophisticated modeling to power both traditional and predictive analytics, financial services companies have ever-expanding data needs for a wide range of purposes.

For example, demographic and psychographic data may be used to personalize customer experiences and improve marketing ROI, while leveraging market intelligence data enables smarter real-time investment decisions. Even non-financial data is critical in enabling core financial services workflows. For instance, real-time weather data can help insurers forecast climate risk and lower future loss ratios or help quant researchers model soil moisture levels that may impact commodity trading.

The problem is accessing external data in a timely and cost-effective way. Firms are often building and maintaining dozens, if not hundreds, of data pipelines and dealing with a wide range of data formats, which results in their data scientists spending much of their time on relatively low-value data transformation tasks. Complex ingestion processes can also result in dips in data quality and a high error rate. Despite these challenges, companies are investing in third-party data now more than ever; according to a recent report, 81% of companies rely on third-party data.

By combining third-party data sets with their own data, financial services companies can personalize omnichannel experiences, power optimization and data-driven decisions, uncover valuable insights about their portfolios, better manage risks, and much more. The key is low-latency and continuously refreshed external data sources.

SOURCES OF THIRD-PARTY DATA

Generated by individuals, businesses, and IoT sensors, third-party data originates from a variety of sources and exists in a wide range of categories, including but not limited to the following:

- Consumers (transactions, consumer sentiment)
- Individuals (employment and labor, credit)
- Businesses (advertising, pricing, ratings and reviews, store locations)
- Events (satellite and weather, event detection)
- Online behavior (searches, social media, app usage, web traffic, geolocations)
- Aggregated data (IoT, web-crawled, B2B, open data)

THREE WAYS TO UNLOCK THE HIDDEN VALUE IN YOUR DATA

While the benefits of using third-party data from a data provider are clear, organizations extract even more value from external data when they integrate it with first-party data and analytics.

Below are three examples of how third-party data can power investment decisions, uncover insights that help predict company performance, and personalize content and offers when it's combined with first-party data sets.

1. MAKE INFORMED INVESTMENT DECISIONS AND MITIGATE RISK

Financial services firms can leverage third-party data to enrich their portfolio analysis and facilitate determining if any investments are risky or ethically questionable. For example, they can pull in an external ESG data set to join with their own profit and loss data that will show them the ESG scores assigned to their investments.

ESG scores encompass a wide range of activities and behaviors, from a company's reputation for racial justice to its COVID-19 labor practices, and ESG data can help organizations invest in a more socially responsible way while avoiding funding companies with practices that imperil their profitability. Investors might also choose to integrate multiple ESG data sources into their machine learning models to help with real-time decision-making for when to buy and sell.

Given current political and economic factors, other beneficial third-party data sources include global sanctions, watchlist, and Politically Exposed Persons (PEPs) list data as well as global news data for comprehensive due diligence checks.

2. PREDICT COMPANY PERFORMANCE AHEAD OF A QUARTERLY SEC FILING

When a public company issues quarterly reports that inform the public about its financial situation, investors use this information to decide whether to buy or sell shares in that company. However, smart investors recognize that a balance sheet provides only a snapshot in time. That's why hedge funds and other financial services organizations use alternative data gathered from nontraditional sources. With the combination of social media streams, employment data, satellite imagery, and more, alternative data helps these organizations predict whether a listed company will meet its earnings forecast before traditional financial numbers are announced publicly.

For example, financial analysis can be bolstered by foot traffic data, demonstrating whether consumers are heading in droves to a company's stores or if there's a downward trend. This information can be overlaid with demographic data to determine if in-store consumers match this company's target audience. By looking at anonymized credit card transaction data, product returns, and sales at different locations, analysts can obtain a richer view of a company and determine whether its numbers are likely to go up or down next quarter.

3. PERSONALIZE CONTENT TO IMPROVE MARKETING ROI

By leveraging third-party demographic and life-event data—which might include information on household size, number of children in the household, net worth, home ownership status, and property type—banks and other financial institutions can enrich the customer information that's already in their databases and obtain a true customer 360. From there, they can refine their segmentation and targeting strategies to increase the likelihood of customers receiving content and offers that are relevant to them.

For example, a campaign promoting mortgages will be more effective if aimed at people with significant savings who don't already have a mortgage, while a campaign focused on 529 plans should focus most heavily on parents of young children who have time to invest before their kids reach college age.

THE CHALLENGES OF SOURCING THIRD-PARTY DATA

While the reasons to source third-party data are sound, the legacy practices for doing so are inefficient. Two major obstacles stand in the way for many financial services organizations:

- **Expensive: Traditional methods of accessing external data require extensive time and monetary resources**
- **Unsecure: Legacy file sharing methodologies are error-prone and not secure**

Getting data from traditional data marketplaces can be overwhelming. How do you choose from the multitude of data marketplaces? How do you get started? How do you determine which vendors are reliable, what data will be most useful, and what value each data set holds?

These questions point to the cost, time, and effort required to find and select the best-suited third-party data. It comes down to a problem of scalability. There's no efficient process for contacting each vendor, evaluating its data, and acquiring the data.

Organizations spend enormous amounts of money staffing teams to perform this time-consuming task. Some let their data scientists muddle through the data acquisition process, but this diverts valuable resources from the task they were hired to do: build data models. Other organizations use data aggregators and brokers to facilitate data marketplace transactions. This solution has advantages but doesn't address the challenges presented by reliance on traditional file sharing methodologies.

Vendors continue to employ FTP, APIs, and other file downloading techniques to transfer data that often requires them to copy files and perform intensive engineering work to extract, transform, and load (ETL) data. Even APIs become a burden when developers must maintain and troubleshoot multiple APIs from different data vendors. In addition, every API has different security and authentication methods, which adds work for an organization's security teams and poses potential risks. Plus, APIs are inefficient for receiving large volumes of data.

The biggest challenge with these data sharing methods is that they result in stale data copies that are nearly impossible to securely govern.

Manual transfer efforts are prone to human error and organizations face potential security and compliance issues. Worst of all, they are left with questionable data that results in poor analytics.

Taken together, these challenges raise this question: How can you use external data at scale without wasting time, money, and resources or compromising security and compliance?



THE DATA CLOUD HELPS SOLVE TRADITIONAL DATA SHARING ISSUES

If organizations could minimize time spent on building and managing ad hoc methods of data sharing, they could allocate more resources to extracting valuable insights from that data.

Snowflake's Financial Services Data Cloud represents the modern answer to this challenge. With its multi-cluster shared data architecture, Snowflake's platform centralizes data in a single, secure location in the Data Cloud, the network that connects Snowflake customers, partners, data providers, and data service providers across public cloud providers and regions. The result: traditional data sharing barriers are removed and data silos are eliminated. Organizations immediately benefit from access to secure and governed data that can be shared within and between organizations.

Snowflake's global platform centralizes data in a single, secure location in the Data Cloud, making it uniquely designed to connect businesses around the world and power seamless data collaboration and many different workloads.

That's because Snowflake is built using **Snowgrid**, a technology that connects regions and clouds worldwide and enables secure and governed data sharing.

With Snowgrid, you can take advantage of **Snowflake Collaboration** features to seamlessly and securely share and access live, ready-to-query data across clouds and regions without ETL. Anyone granted access to a data set simply references the data in a controlled and secure manner without gaining physical custody of the data. This means that data access is revocable, enabling you to better comply with regulations such as GDPR. And because any changes made to the data are done to a single version, data remains up-to-date with minimal latency or concurrency issues for all data consumers who have access.

With first-, second-, and third-party data unified in the Data Cloud, organizations can combine shared data instantly with existing data for faster analysis. Data is available in a ready-to-query format without replication, transformation, or processing, so data analysis delays become a problem of the past.

And, with its cloud-agnostic architecture, Snowflake enables seamless and immediate access to shared data, regardless of cloud infrastructure, deployment location, or cloud provider (AWS, Azure, or Google Cloud Platform).

SNOWFLAKE MARKETPLACE

Snowflake Marketplace is a modern approach to the data marketplace. Data consumers can access live, up-to-date, and ready-to-query third-party data, data services, and **Snowflake Native Apps** from multiple providers in one place. Rather than wasting time hunting for vendors and downloading stale data, consumers can use Snowflake Marketplace to easily discover, evaluate, and buy live external data in a secure and compliant manner.

Snowflake Marketplace connects you to over 430 providers, offering more than 2,100 live, ready-to-use data sets, data services, and Snowflake Native Apps.*

*As of July 31, 2023.

With the burden of data transformation removed, integrating external data with your existing data becomes fast and seamless. Data analysis can begin right away.

Improve your data quality with enrichment services that don't require the traditional, time-consuming steps of data copying and transformation. Through Snowflake Marketplace, you can share slices of your data with the data provider for enrichment and augmentation and get your enriched data securely shared back directly into your Snowflake account.

Whether you use external data to augment data sets for improved business analytics or to help train AI and machine learning (ML) models for data science, the benefits of Snowflake Marketplace are clear:

- **Live, up-to-date data:** Never worry about stale data again; without any manual intervention or scheduling required, all updates made by the third-party data provider are immediately reflected in your data sets
- **Ease of discovery:** Benefit from a single place to access a wide variety of data sets that can be queried, joined with internal data, used in data modeling, or added to BI tools—all with speed and ease
- **Reduced costs:** Eliminate unnecessary data analytics expenses around data loading, transformation, and API integration and management. Because there's generally no data movement (only data access), you also don't pay storage costs for third-party data
- **Personalization:** Request personalized, secure data feeds from data providers that are customized to your specific data needs
- **Enriched internal data:** Use enrichment services to improve the quality of your own data by securing sharing slices of your data with providers
- **Global access:** Receive fast access to third-party data, data services, and Snowflake Native Apps on multiple major cloud providers



BECOME AN EMPOWERED DATA CONSUMER TODAY

With Snowflake Marketplace, the ability to securely access and quickly combine data from third-party sources helps uncover unique trends, optimize investment strategies, and personalize consumer experiences.

Learn how financial services organizations are powering success with the [Snowflake Financial Services Data Cloud](#), then discover for yourself the difference Snowflake Marketplace makes. Go to snowflake.com/marketplace to find, try, and buy market intelligence, ESG, demographic and psychographic, weather, and more data—all ready to start querying immediately.

There's only one question remaining:
Are you ready to extract more value
from your first-party data?





ABOUT SNOWFLAKE

Organizations use Snowflake's Data Cloud to unite siloed data, discover and securely share data, power data applications, and execute diverse AI/ML and analytic workloads across multiple clouds and geographies. Organizations, including 639 of the 2023 Forbes Global 2000 as of July 31, 2023, use the Snowflake Data Cloud to power their businesses.

Learn more at [snowflake.com](https://www.snowflake.com)



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