ENVIRONICS
ANALYTICS

Neighbourhood View™

TECHNICAL DOCUMENTATION
2023 USER GUIDE
JULY 2023

ABOUT NEIGHBOURHOOD VIEW™

Neighbourhood View is a dataset created by Equifax to help marketers locate neighbourhoods that contain higher concentrations of consumers who have desirable credit characteristics and who would be more likely to consume a company's products. Neighbourhood View from Environics Analytics (EA) is an aggregated, privacy-compliant, credit database that can be used without requiring consumer consent.

EA's Neighbourhood View is available in the form of PRIZM profiles and neighbourhood data summaries. The database, updated quarterly, includes 269 variables that have been grouped into four themes; the data are available at the postal code level and all higher levels of geography.

There are many ways Neighbourhood View can be used by marketers to solve marketing-related problems. Some of the more common applications include:

- Filtering a mailing list

  Users can take a newly-acquired mailing list and filter out less desirable neighbourhoods based on their credit profiles, ensuring a more efficient use of marketing budgets.

- Acquiring a high-quality mailing list

  Users can acquire mailing lists based on neighbourhood analysis of credit characteristics. This type of targeted mailing list acquisition can help improve response rates.

- Developing a response model or analysis

  Using results from previous marketing campaigns, users can analyze customer responses to determine which neighbourhoods to target to improve response rates in future campaigns.

- Personifying target groups

  Neighbourhood View data can be used as an added layer to target group personifications to provide a snapshot of the financial health and overall credit risk of a carefully selected target group.

The EA database represents a filtered cut of the complete Neighbourhood View product offered by Equifax. Due to the methodologies used by Equifax to create Neighbourhood View, the household counts within this dataset may not be consistent with other market-sizing databases. There are three main reasons for this inconsistency.

1. Households with very high debt levels have been removed from the database. This removal occurred in order to make the data more applicable and relevant to marketers.
2. A time lag exists in the credit gathering process. Individuals that have recently passed away or moved away may still be counted in the data due to this lag.

3. Records that could not be geocoded were removed. Some records in Neighbourhood View could not be tied to census geography, at any scale, for various reasons and were filtered out of the dataset.

For such reasons, we strongly discourage the use of Neighbourhood View to answer market sizing and market share-related questions or any other questions that rely on absolute data counts. We recommend Neighbourhood View be used for relative profiling purposes only.

CREDIT FILE INFORMATION

All credit variables found within Neighbourhood View have been derived from credit data collected by Equifax. The company collects credit information from over 600 reporting institutions and uses this information to gain an understanding of how Canadians use credit cards, loans and mortgages. This credit data collected by Equifax contains the following information:

- Name of each account
- How long each account has been opened and how recent it has experienced activity
- The credit balances for each account and what the credit limits are for each account
- The current payment status for each account as well as its payment history

Equifax also captures delinquency data, bankruptcies and other derogatory public records for each account. Any inquiries made on an individual's credit report are also documented. All of this information has been aggregated and anonymized to protect individual privacy.

This collected credit file information is then used to calculate credit scores, which can be thought of as a summary of much of the information in a credit file. The Equifax Risk Score (ERS) was created with the intention of helping predict a future event and the probability of delinquencies. A consumer with a high ERS score can be thought of as someone who likely meets their financial obligations and who is less likely to have delinquencies on their records in the future. Consumers with low ERS scores tend to be riskier as they share the characteristics of consumers who are more likely to have delinquencies.

The Neighbourhood View database takes all these available credit data and aggregates them to a level where individuals cannot be identified. This level of privacy is ensured by using at least 15 credit files in every neighbourhood or small area grouping. The Neighbourhood View dataset is made up of these aggregated variables that can then be used in a broad range of marketing applications, including segmentation, target marketing, direct mail, risk analysis, market analysis and media planning.

USING NEIGHBOURHOOD VIEW

EA's Neighbourhood View database contains over 269 variables, and these variables help describe different facets of consumer credit behaviour. Understanding the unique business challenges your company faces will help determine how best to utilize the Neighbourhood View dataset. The selection of variables in your analysis will depend on the types of behaviours your company is interested in, and factoring in characteristics unique to your industry can also have a significant impact on the variables you choose to analyze.

The following section describes three popular credit characteristics that can be selected from the Neighbourhood View dataset and suggests the variables a marketer could use to uncover those attributes.

1. Spend/Credit Usage

If a marketer is interested in targeting neighbourhoods with an above-average number of heavy credit users, they may want to consider deploying some of the following variables:

- Average balance for open accounts (OPTBALA)
- Average high credit for open accounts (OPTHCA)
- Average number of open accounts (OPNUMA)
- Average number of open accounts with balance greater than $0 (OPNUMBALA)

These variables can also be used in a few calculations that can reveal additional insights:

Average balance for open accounts/Average high credit for open accounts
> This calculation will give a user the utilization percentage. A high utilization rate suggests that consumers are using their credit products and may have an appetite for additional credit since they are running out of credit space with their current accounts. A high utilization rate might also suggest that consumers are holding more debt than they can handle and may be stressed from trying to pay it down.

Average number of open accounts with a balance greater than $0/Average number of open accounts
> This ratio indicates that consumers are using the products they currently have. If this ratio is very low, it could mean that consumers have more of the product than they need.

Average balance for open accounts/Average number of open accounts with a balance greater than $0
> This calculation provides a good estimate of the amount of credit usage consumers may want if they were to sign on for a new credit product; it may be useful in helping to tailor an offer and setting a credit limit.

2. Credit Appetite

Marketers may also want to target areas with a higher concentration of residents who are in the market for a particular type of credit product. Neighbourhood View can help these marketers locate areas where credit appetite is appealing by using variables like:

- Average number of accounts opened in last six months (OP6MOA)
- Average number of inquiries in the past 24 months (INQ24MOA)
- Average age of most recent inquiry (AGERCTINQA)
- Average subject age (AGESUBJA)

These variables can help uncover neighbourhoods with a high average number of recent inquiries; this information identifies consumers who are looking for credit. It is equally important that the average number of new accounts in these neighbourhoods is low, which shows that consumers have yet to take on new credit. Neighbourhoods with a high *average number of inquiries in the past 24 months* and a low *average number of new accounts opened in the last six months* may indicate consumers who have not been approved for new credit. This information could reflect consumers who are not creditworthy or simply those who have not been offered the right product.

Subject age can also be a useful variable because the credit needs of consumers vary greatly as they grow older, and age should alter the types of credit products that are marketed to consumers.

3. Creditworthiness

Marketers are always looking to maximize the response rates of their campaigns but it is also important not to overlook the quality of those respondents: Estimating creditworthiness can help marketers flag more attractive neighbourhoods. To help identify whether a neighbourhood contains higher concentrations of creditworthy consumers, marketers can turn to the following variables.

- Average number of accounts currently 30 days or more (CT30PDQA)
- Average number of open accounts (OPNUMA)
- Average number of derogatory public records (DEROGPUBA)
- Average Equifax Risk Score (ERS) (ERSSCOREA)

The following calculation and metrics can also be created from the above variables to further help a marketer better understand the creditworthiness of a particular neighbourhood:

Average number of accounts currently 30 days or more/Average number of open accounts
This ratio will give marketers an indication of risk per account. The higher the ratio, the riskier the customer.

Average number of derogatory public records

> This variable also gives an indication of the creditworthiness of neighbourhoods. Less creditworthy areas tend to, on average, have more derogatory records.

Average Equifax Risk Score (ERS)

> This score is an excellent metric that can be used to predict the risk of delinquency, and it speaks to the creditworthiness of the individual; neighbourhoods with higher average ERS scores will contain more accounts or individuals who are more creditworthy.

These are just three examples of how Neighbourhood View can be used to gain a deeper understanding of the credit profiles and credit behaviour of Canadians. The applications of the Neighbourhood View dataset extend beyond these applications, and how marketer leverage the many available Neighbourhood View variables will depend on the business problems they are trying to solve.