



Every type of finance for every type of business

Yes, SMEs need effective support and price comparison when reviewing their business finance options...

...but the devil is in the detail

Observations from the front line of helping real businesses access suitable business finance

A response to CMA Retail banking market investigation Remedy 4: The Role of comparison sites for small and medium-sized enterprises in addressing the adverse effect on competition

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Yes, SMEs need effective Price Comparison Websites...

...but the devil is in the detail

Rangewell wholeheartedly supports the Competition and Markets Authority finding to date regarding the problems and challenges facing small businesses looking for finance.

We are grateful to have been asked to comment on the suggested solutions from our unique vantage point of having worked with and helped numerous businesses of all sizes, all types, and all stages of growth find, compare and apply for all types of business finance.

We highlight below 10 thoughts on how to make “price comparison” websites genuinely useful and effective for SME users.

1. The easy option is (almost) never the right option

The idea of an industry-led Price Comparison Website is a reasonable place to start - but it is only the start.

Post financial crisis, the business lending landscape has become increasingly fragmented, diversified and fraught with confusion. The void left by the mainstream banks - previously the obvious first port of call for business owners looking for finance has been quickly and (in most cases) efficiently filled by hundreds of challenger, specialist, boutique, niche, alternative and peer-to peer solutions.

In our experience most business owners **do** begin their search for finance online **but they certainly don't complete it online**. For serious business owners applying for business finance is

- An extremely important decision
- Not taken lightly
- One they almost always want to speak personally to an expert on
- Not a decision that will be made and completed by a few clicks on a basic price comparison website

In our opinion an

- industry led website
- purely focused on price comparison
- only covering a small subset of the types of business finance available
- and with no support or interaction from business finance experts

would be of little use to SMEs in the real world.

2. “Price comparison” websites need to be about a lot more than just price comparison

What small businesses need from finance solutions goes way beyond simple price-comparison.

Business owners need real support and guidance as to what financing solutions are available and suitable for their businesses both today and for their future plans.

Our research shows that business owners look for the following in the business finance application process

- Transparency
- Independence and whole of market offering
- Human engagement and discussion with finance experts that can understand their specific needs and requirements
- Significantly more than solely a signposting service - they require actual offers and “terms and conditions”
- Non pricing information (including terms and conditions as well as the quality of service being provide)
- Confidence and trust in the lender they will be borrowing from (especially now that there are so many “non-household” names)

This level of finance being sought is likely to be complex and therefore cannot be this prescriptive and generated via a generic Price Comparison Website imposed from the top-level down.

Any solution has to put the specific needs of business user first, and genuinely match the requirements of the business and the underlying reasons that drive the business financing needs.

3. The domain expertise that is needed is in business finance - not digital marketing

LTV expertise should be in understanding Loan to Value financing requirements rather than a Life Time Value focus.

As previous CMA discussions regarding the effectiveness of purely price driven and online Price Comparison Websites have shown, they create crowded markets where marketing needs and customer acquisitions costs and LTV (life time value) dominate and distort the helpfulness and independence of the product and value it provides to the end customer.

Online portals place the dominant focus on PPC, SEO, earned media, randomised multivariate testing and multinomial testing online testing rather than the real value add of understanding and supporting the real, individual and disparate needs of each business application.

4. The focus should be on real technology

Comparison websites that are purely price driven and online add little value but are easy to set up.

Real technology is costly to implement and difficult to get right...but that is what adds real value to small business users.

Rangewell has worked for two years on creating a genuinely cutting edge algorithmic approach to mapping and understanding business lending in detail and independently. We have been surprised at how few business lenders have the ability to use technology to its fullest.

We would encourage the CMA to investigate further the real value in terms of increased speed, process automation and genuine personalisation that could be driven by

- The adoption of application programming interfaces (APIs) between finance providers and genuinely technology enabled price comparison websites
- The use of Midata and the Business Data Initiative to drive granularity of offerings

5. Businesses want real engagement with finance experts - sitting behind a computer doesn't cut it

As shown by the lack of engagement with most new-style "FinTech" websites show, a digital portal on its own is limited.

"The big information void we've continually come up against in this space is, is anyone actually using this stuff?"

Imran Gulamhuseinwala
Head of EY EMEA FinTech Team.

At their root, Price Comparison Websites are no more than "on-line forms" and even more sophisticated ones can only gather basic detail such as size of business, length of operation and sum of money required.

On-line only platforms then either

- provide basic "signposting" to potential lenders (which has little if any value other than allowing the platforms to earn affiliate fees)
- or send on this unfiltered information, with no additional explanation, to a small group of business finance providers.

On paper, it's then all too easy for lenders to turn down the loan application based on a so called "algorithmic calculation of the risk". **Even worse, there's often no explanation to the business owner why the loan was turned down.**

What on-line only applications miss is that most companies have their own very different strengths and individual stories, something unique or supportive that makes them a viable proposal for financing above and beyond their basic history if only they were given the chance to discuss it with an appropriate lender. This can be a hidden asset such as property, invaluable experience in a particular market, or future contracts – none of which can be entered onto a generic website.

Rangewell's approach means we have market leading approval rates for the deals we present to lenders

An example of this need for business finance experience is the financing Rangewell put together for a haulage firm that had just won a new contract.

Case Study

Rangewell recently worked with a company that needed to buy five additional trailers. But what seemed like a simple loan backed by the assets of the company ran into problems when they owner revealed that a large VAT bill payable later in the year would mean he couldn't meet the initial deposit.

Because we'd met the company and got to truly understand the business and the situation, we found a business funder who bought into the business plan and customised a hire purchase agreement that combined a low deposit with deferred VAT payments on the purchase price of the trailers. The company took on the contract and continues to grow. On the basis of only using a PWC, it would probably have been turned down.

This is a good example where specialist algorithmic matchmaking together with experience skills outperform anything a website algorithm can do.

Most business owners experience these unique glitches in the smooth running of their business. What most need is not a technically generated yes or no to a loan application but a bespoke, transparent package that takes all its quirks and nuances into consideration and comes up with something workable, suitable, and affordable.

6. Don't replace one computer saying no with another computer saying no

One of the main criticisms that small business owners have made of the traditional High Street Lenders in the last five years has been the move away from personal interaction towards “automation” in the name of streamlining and cost-cutting.

Most High Street are now extremely light touch when it comes to customer contact and only connect via technology, maintaining an arm’s-length relationship, disguised as providing a ‘better’ service to customers.

But treating customers fairly and providing a first-rate service means dealing with them as individuals with specific needs, something that can’t happen if FinTech websites hide behind their computer screens in Shoreditch and depend on generic information.

When the “computer says no” process of High Street Banks pushes small business owners towards comparison sites - it is of the utmost importance they don’t just end up dealing with another computer that gives another “No”

7. Focusing on and tracking of quality is important

One area that Rangewell would suggest needs further investigation by the CMA is the importance that small business owners place on “quality” and “confidence” in the lenders they work with.

Rangewell talks daily to business owners regarding their options for business finance and is often in the position of recommending well capitalised lenders, with strong credit, operational and middle office capabilities who borrowers are cautious to work with because of the lack of a “well-known” brand name.

Rangewell’s detailed and in-depth mapping of the business finance market means that we focus on the correct business finance product for borrowers rather than just signposting solely to well-known brand names.

Given there are now well over 300 business finance lenders - of which only a handful are well known names, for a truly competitive market to develop further work is needed on tracking

- The quality of service being provided by lenders
- The confidence level that borrowers have in lenders (in our experience this is often driven by non-pricing requirements such as service and support levels)

Rangewell internally track and report on user generated quality and confidence levels and would seek to make this information more publicly available in a reportable, rigorous, and standardised way if it were possible.

8. Lenders also have wants and needs

Smart lenders also reject the purely online price comparison model.

To date business lenders that have worked with purely online business finance price comparison websites have privately been extremely critical of the quality and value of the applications they have received via such platforms.

Anecdotally they suggest privately that the acceptance rate via such platforms have been in the “low single digits” - materially lower than the acceptance rate from any other origination channel.

Lenders strongly dislike working with originators who don't understand or can't rigorously track the provenance of the deals they are originating.

Rangewell strongly advocate the model of working locally, in-person and alongside local finance experts.

This “National knowledge, Local know-how” model has received significant support from the lenders we work with (as they tell us it provides stronger deals with significantly enhanced provenance) - we believe it is the reason we work with a much wider range of business finance lenders than any other platform.

9. Industry led doesn't work – a free market solution has to be the focus

By necessity, the solutions discussed above must also be independent.

Industry led or industry funded approaches never work due to significant conflict around

- Impartiality,
- Perception
- Trust
- Knowledge sharing

We would agree with the Finances Services Consumer Panel (FSCP), which advises the regulator, who report that customers see banks as only interested in winning new business, rather than looking after existing clients.

Banks, whatever the underlying truth (and Rangewell work well with and are supportive of High street banks as well as all other business finance providers) are simply not seen by small business owners as being independent or interested in support small business owners

Government imposed / industry funded solutions just don't work when swift change is so urgently required

The now defunct, and costly, Money Advice Service showed that the public rarely buys into or uses a government imposed, industry led initiative "guided by" special interest groups aiming to protect their status quo.

We agree with the IOD who caution about the ability of "the power of legislation, regulators and government to enact swift cultural change" **Rangewell would put it even more strongly - what's best for the customer is a truly free market solution.**

Free markets operators are

- Nimble and flexible enough to listen and adapt to a market in flux where new rules are being written and trust is generated around impartiality,
- Distanced from the power of legislation, regulators and government, all unlikely to be motivated to enact swift cultural change.
- Able to be disruptive without worrying about upsetting their own status-quo
- Quicker to spot new alternatives emerging into the mainstream - such as crowdfunding and peer-to-peer lending - which may suit other small business looking to create its own disruption.

10. The Nesta Challenge Prize proposal is the best solution

Rangewell believes strongly that the Nesta Challenge Prize proposal is by far the best solution. **Nesta are universally admired for their independence, forward-thinking as well as their focus on true innovation.**

A Nesta Challenge Prize would

- Encourage true technological innovation
- Provides the best solution to both business borrowers and business lenders
- Be beholden to no special interests
- Not be prone to "Corporate Capture" by the main incumbent finance providers
- Be cost neutral

In summary, Rangewell agree with the problems and challenges identified by the CMA and strongly support the Nesta Challenge Prize proposal.

This proposal should focus on ensuring that the "price comparison websites" that are supported

- **Focus on more than just price comparison**
- **Genuinely understand and support the needs of small businesses and their finance needs**
- **Cover and map in depth and independently all types of business finance available**
- **Focus on business finance expertise rather than digital marketing expertise**

- **Work locally and in-person so as to understand the needs of local business communities**

Otherwise the CMA proposals risk replacing one computer saying no with another computer saying no - which would be unjustifiable and negate the whole raison d'être of the CMA investigation.



RANGEWELL

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About Rangewell

Rangewell helps every type of business find every type of finance.

Rangewell helps businesses and their professional advisors find, compare and apply for business finance through a comprehensive, whole of market, totally independent and free-to-use online platform which works alongside and complements local business finance experts.

With over 270 business lenders (running from High Street Banks to Challenger Banks, specialist lenders, boutique lenders, and alternative lenders), and thousands of business finance products mapped in detail, Rangewell gives businesses access to the widest range of business finance including asset finance, unsecured finance, short term finance, invoice finance, property finance and growth finance.

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