



RANGEWELL

Every type of finance for every type of business

Digital Comparison Tools are a vital technological enabler but not a panacea when supporting Small and medium-sized enterprises' as they seek to identify and access the most appropriate business finance for their individual circumstances.

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

A response to CMA's Market Study of Digital Comparison Tools

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Rangewell wholeheartedly supports the Competition and Markets Authority's Market Study of Digital Comparison Tools.

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 SMEs of all sizes, all types, and all stages of growth find, compare and apply for all types of business finance via the Rangewell Digital Comparison Tool.

We highlight below some thoughts and findings specifically on how SMEs use, perceive and relate to Digital Comparison Tools.

When and why do SMEs use Digital Comparison Tools?

Our research shows the SMEs use Digital Comparison Tools

1. As the first stage of understanding the complex and fragmented business lending landscape
OR
2. When their High Street Lender is taking too long (or is unwilling) to extend business finance

Rangewell has worked with hundreds of SMEs, Business Advisors (Accountants, Lawyers, IFA's) and Local Business Support Providers (LEP's Growth Hubs, Chambers of Commerce, Trade Associations) across the UK and constantly find that, despite the best efforts of government and business lenders, there is an acute lack of awareness with regard to how vibrant, diverse and innovative the SME lending landscape is in the UK.

The void left by the High Street 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.

This complex and fragmented business lending landscape is

- **Confusing**
- **Time consuming and**
- **Intimidating**

to both SMEs and their advisors who value a simple, transparent and independent Digital Comparison Tool such as Rangewell to find, compare and apply for every type of business finance.

The other area where we see significant use of Digital Comparison Tools by advisors and Local Business Support Agencies is when they are working with SMEs who they know well enough to know they are "credit-worthy" but where they have been unsuccessful in gaining traction with High Street Lenders.

High Street lenders now tend to be extremely "light touch" when it comes to SME customer contact and have automated credit approvals in the name of streamlining and cost-cutting. Where Rangewell's Digital Comparison Tool is used by "non-banked" SMEs or their advisors we are quickly and simply able to identify lesser known lenders who are willing to lend to such business borrowers.

To what extent do SMEs trust Digital Comparison Tools?

Rangewell's research and experience shows that SMEs and their advisors **trust Digital Comparison Tools to "facilitate" research** and to highlight lenders that they would otherwise not be aware of - **but do not trust them to guide and support them in actually applying for finance.**

This is for two main reasons

1. Our research has shown that the functionality most required of Digital Comparison Tools by SMEs is to go much deeper and present the right type of business finance product rather than simply linking to a range of well known "logos and brand-names".
2. There is a significant and important difference between helping SMEs identify suitable lenders and supporting them in accessing such lending.

In both points above, Digital Comparison Tools are trusted as a technological enabler but not seen as a panacea - significant trust is still placed in Local Business Support Providers and Local Business Finance Experts - as would be expected for a complex financial transaction that is treated seriously by serious business owners.

It is for this reason that Rangewell have adopted a very successful "technology as enabler/ local business finance expert as a supporter" approach.

How do SMEs choose which Digital Comparison Tools to use?

In our experience, SMEs are not searching for Digital Comparison Tools in isolation - they are looking for solutions to their overall financial and business challenges and will select whatever the best method is to find and guide them to their solution.

We find that Rangewell's Digital Comparison Tool is only part of the process. The business' who Rangewell work with are ambitious and growing and tend to also be working with Local Business Support Providers such as the government backed Local Enterprise Partnerships (LEPS) and Growth Hubs as well as Local Business Support Providers; Accountants, Lawyers and Trade Associations.

Rangewell strongly advocate the model of working

- Regionally
- In-person and
- Alongside Local Business Support Providers as well as Local Business 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 providence) - we believe it is the reason we work with a much wider range of business finance lenders than any other Digital Comparison Tool aimed at SME users.

What are SMEs expectations of Digital Comparison Tools?

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

Our research shows that SMEs want to

- **be able to compare the full range of the business finance market in a simple, transparent and independent way and**
- **once they have identified appropriate business finance providers be given support and guidance as to how best to apply for such finance.**

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

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

The type of finance being sought by SMEs is likely to be complex and therefore information provided cannot be generically generated via a “computer says yes / computer says no” Digital Comparison Tool - 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.

What are SMEs experiences of using digital comparison Tools?

To date SMEs have been extremely disappointed by the generic and “lead-generation” nature of most Digital Comparison Tools available to the SME market.

Rangewell have sought to address these issues in building a unique product based on combining a

- “Whole of market” approach together with
- Genuine algorithmic matching technology and a
- Network of Local Business Finance Experts who can help and support during the business finance application process.

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.

Rangewell believes that Digital Comparison Tools in the SME market need to have business finance experts who can work with every business and their business advisor to support them throughout the process from identifying and comparing lenders right through to applying for finance.

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 signposting solely to well know 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.

What factors influence SME Lenders use and choice of Digital Comparison Tools?

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. Rangewell work with more business finance lenders than any other Digital Comparison Tool and we see three main factors influencing their use of platforms.

1. The level of the platform's adoption
2. The quality and rigour of the platform
3. The quality of borrowers sourced from the platform

The problem with the current Digital Comparison Tools for SMEs (as with all fintech platforms) as shown by the recent EY FinTech Adoption Index is that very few people actually use them

"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.

Until recently most Digital Comparison Tools in the SME market were no more than "on-line lead generation forms" which were of little interest to business finance lenders who are looking for good quality SME borrowers with a known provenance.

On-line only platforms have tended to only

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

It is for this reason that we have found that a large number of the larger business finance lenders either

- Completely reject the purely online DCT model - refusing to accept applications directly from them
OR
- Have privately been extremely critical of the quality and value of the applications they have received via such platforms.

Rangewell continue to advocate working with business finance advisors as well as SMEs. Although this is much more costly and difficult as compared to "Digital only" Comparison Tools it provides a much broader and effective market adoption as well as ensuring that the quality of businesses applying via the platform are creditworthy and suitable to be lent to - we believe this more detailed and rigorous

approach is the reason we have market leading approval rates for the deals we present to business lenders.

To what extent do Digital Comparison Tools make it easier for SME Lenders to enter the market, attract more SME borrowers and engage more effectively with them?

Rangewell have independently mapped over 300 business finance providers in the UK and are in constant dialogue with them. In our experience Rangewell's Digital Comparison Tools

- Do make it easier for business finance providers without large marketing budgets to become known to borrowers who meet their lending criteria.
- Do make it easier for new business finance providers to identify and engage with such borrowers more effectively.
- Do make it easier for new business finance providers to identify and service lending gaps in the business finance market.
- Do make it simpler for lenders to change criteria and be responsive to market movement and requirements.

We would stress however that none of the above happens purely (or even mainly) via “digital technology” - most of it is down to building strong relationships and human engagement between lenders and platforms to really understand the nuances of what market niches are underserved and what new markets lenders are aiming to enter and why.

In what ways, if any, have Digital Comparison Tool's changed business finance lenders approach to SMEs?

We find that lenders have proved extremely adept at marketing and adapting their SME products - and using Digital Comparison Tools is a quick and simple way for them to trial new products and approach new market niches.

As a result, there has been a significant increase in the overall awareness of SMEs that there are many new types of business finance available away from the traditional High Street Lenders.

Over the course of the last 18 months, as many of the lenders have grown to scale, we've seen significant innovation in the types of lending product they are launching into the marketplace - often using Digital Comparison Tools such as Rangewell to “beta test” new products because of the speed and simplicity of adoption and feedback.

Almost without exception, these products have been deeply considered in terms of their usefulness to SME borrowers as well as being appropriate lending products from a business lender's point of view in

terms of being well thought through in terms of structure, ability to be understood and attracting the right sort of creditworthy borrowers.

In summary, in Rangewell's experience Digital Comparison Tools

- **Are a positive addition to the support provided to SMEs seeking business finance.**
- **Are used extensively by SMEs at the first stage of understanding the complex and fragmented business lending landscape.**
- **Need to work harder to not only identify potential business finance lending but also provide real support in accessing such finance.**
- **Work best when they match technology as an enabler together with Local Business Support Providers and Local Business Finance Experts.**



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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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