

SME Loan Research Brief

Background

- Following WeLend's success and rapid growth in the personal lending market, we are looking to extend our product portfolio to SME Loans
- Traditionally, SME financing options are found in banks. However, SMEs face a lot of challenges in borrowing money at banks due to lack of collateral, heavy paperwork, unfavorable financials etc. Only a few money lenders in the market offer SME loans too. This presents an opportunity for WL to enter the market and change the lending experience.
- We want to find out more about our target SME owner's lending experiences, motivations, and pain points, to identify specific areas in which WL can add value.

Our product

- Term loan
- Value proposition – fully automated end-to-end customer experience. Online-only, instant approval decisioning
- Straight-through processing, no lead generation until disbursement

Objectives

- 1. Validate our target segment of SME owners and their needs for a business loan to determine if WL's product offering match these needs**
 - Understand the overall financing needs of SMEs and how they manage their financing problems
 - Understand what tools/technology solutions they integrate into their business (e.g. POS software companies, payment platforms)
 - Identify the main factors that SME owners look for when choosing a loan (e.g. type, pricing, features, channels, tenor, convenience)
 - Test receptiveness to new brands and what SME owners look for when evaluating new (non-bank) options in the market (e.g. how would they prioritize factors like cheap, fast, etc)
- 2. Investigate the factors that are most challenging during the application process and test whether WL's value proposition offers an improved experience**
 - Identify which parts of the application process are most challenging from their previous experiences so we can find ways to solve the pain points
 - How did the decision to borrow a business loan come to mind?

- How did they decide on research channel? Will they just go to a bank that they have a relationship with?
- What scenario would you not borrow with your existing bank?
- Based on the lending experience what were the pain points? What step was the most memorable/time consuming (highlights)?
- What is the expectation on disbursement time required and documents required?
- What pricing were they expecting? What offer did they receive in the end?
- What was the after sales experience like (e.g. payment reminders)?
- Based on WL's prototype, identify:
 - If users can see a value add for an automated application process (e.g. saved time, easier to apply)
 - Which factors in the application process cause the most pain points (e.g. document submission, filling in fields, waiting time for approval)
 - Attitude towards providing 3rd party data to approve their loan (even if it would give them a better price)
 - If users are willing to pay a premium for better servicing

Hypotheses

Business Outlook

- Post-pandemic outlook is positive and need loans to help rebuild their businesses post-pandemic

Motivations & pain points

- Loans are mainly used for working capital and are needed as soon as possible
- Will approach a bank first when they need financing and will look for alternatives if they get rejected/ loan offer wasn't what was expected
- Price and repayment terms are the most important factors when seeking a loan

Lending perception

- People are hesitant from borrowing loans from Money Lenders vs banks
- People have doubts on whether an online-only loan application is safe or if they will receive the loan terms they want
- Loan applications are perceived as a complicated process and was a barrier in whether they went through with the loan application

Previous lending experience

- Overall process was long and required a lot of back-and-forth from RM (from application, gathering documentation, waiting for results, approval, disbursement)
- Biggest pain point was getting the required documentation and long waiting time
- Main channel for seeking business loans is through bank and source of information is through RM

Prototype

- Willing to pay a premium if the process and approval is easier/faster than banks
- Open to online-only experience if the terms and application are easy to understand
- Willing to provide selfie/HKID before an initial approval result
- The loan approval does not have to be instant if its faster than a bank
- Users have data privacy concerns if we access their 3rd party data to approve the loan
- Users feel like the experience is more convenient because it saves the hassle of collecting documents and filling in forms
- Users see value in straight-through processing because it saves them time

Respondent Profile

- SME owner, primary decision maker
- Target industries:
 - F&B
 - Retail
 - Consumer services
- Minimum 1-year operating history
- Company size (5-10 employees)
- Characteristics
 - Has borrowed a loan/is borrowing an unsecured loan at a bank in the past 12 months and would consider borrowing a loan in FIs OR
 - SME owner who borrowed a P-Loan for business purposes