

# Demand Creation

For Alternative Finance & Fintech in the SME Sector.



The Alternative Finance  
Market is set to double in 2015

But how are you going to reach  
the SME market?

## Creating demand for your alternative finance products can take time and patience

This short guide explains two methods that are proven and highly effective routes to market.

No 1. Direct to market

No 2. Via introducer's

If you require any further information on how we can take your product to market then please email: [Rohan Hardeman rohan@chartdev.co.uk](mailto:Rohan.Hardeman@chartdev.co.uk)

## No 1. Direct to market

### Summary

Banking services / products are unbundling, SME credit balances with the big banks are falling, the hole being filled in some respect by the alternative finance / fintech sector, which some commentators believe could top a turnover in the UK of £5bn in 2015 and £7bn across the rest of Europe.

The market should be buoyant and in many cases it is. One issue however is that the banks will fight back, Santander and RBS have started, with the security that SME's although aware of alternatives are fiercely loyal.

The big brands are still trusted, embedded relationships and product ties are significant drivers that keep SMEs loyal. What the fintech alternatives have on their side is interesting breakthrough products however they lack the distribution channel of the branch network and professional introducer's.

Instead relying heavily on what they know best, online marketing with a budget for outsourced PR and advertising. From our discussions with some Crowdfunders demand is growing but not fast enough from the SME sector.

So how can the new entrants create and sustain demand from SMEs? One answer seems to lie in traditional B to B marketing. Lessons can be learnt from the likes of invoice discounters and litigation funders, both 'traditional' alternatives to bank funding. Their route to market Fig 1. remains static and successful. It very much mirrors how the larger banks approach the market and exactly how some Crowdfunders are currently creating demand.

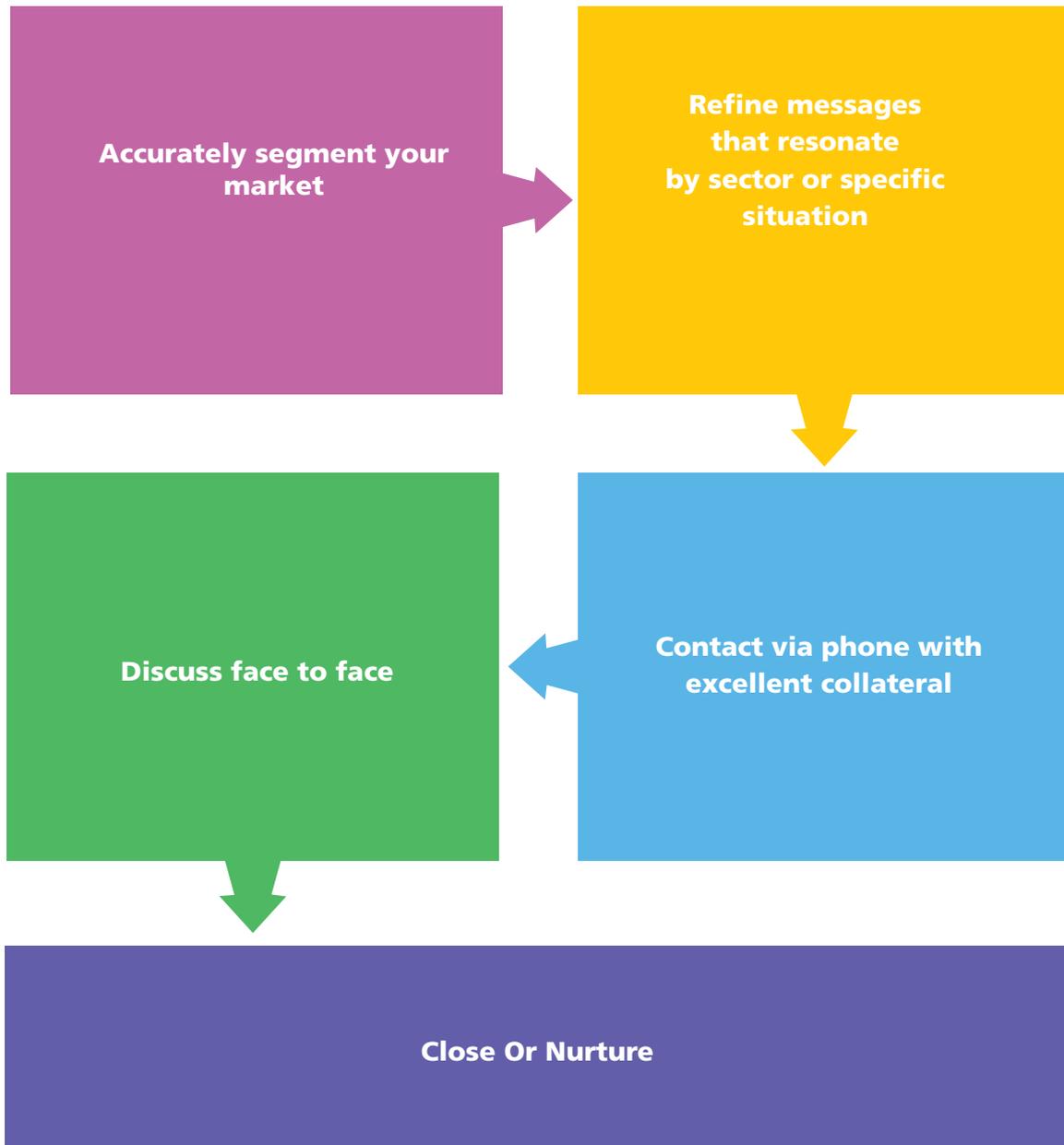
In the following pages each segment is explained in detail.

## The UK Leads The Way

The UK is leading the way globally, and with significant potential for the market to expand it won't be long before we see alternative finance moving into the mainstream.



Fig 1: Traditional Routes To Market



## Accurately segment your market

Propensity modelling is; defining criteria which accurately define which SME is more likely to buy your service.

Age of owner	Incumbent bank
Types of loans	Size of loan
Size of business	Sector the business is in
Age of business	Gross margin
Growth over last five years	Debtor days
Post code	Incumbent accountant

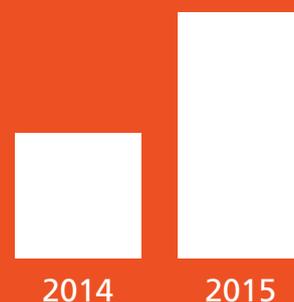
To explain a couple of these.

Post code; the NESTA report suggests that some parts of the UK have a greater propensity to buy Alternative Finance

Debtor days; Businesses with 65+ debtor days are more likely to invoice finance.

## 2015 Will See Phenomenal Growth

The Alternative finance market is set to double in 2015.



2014

2015

## Refine messages that resonate by sector or specific situation

### Sector

The persuasion technique to leverage here is the herd mentality or 'social proof'.

From our own modelling SME decision makers are 30% more likely to listen to a message if it associates a service with their specific sector.

- 'Finance for Vets' is more compelling than 'Finance'.
- *The 'Vets fund' gives extraordinary returns is more compelling to vets than 'fund' gives extraordinary returns.*

The sector message is not the only 'people like you' compelling message. Changes in legislation, incumbent bank or accountant and age of owner are also good examples.

### Specific situation

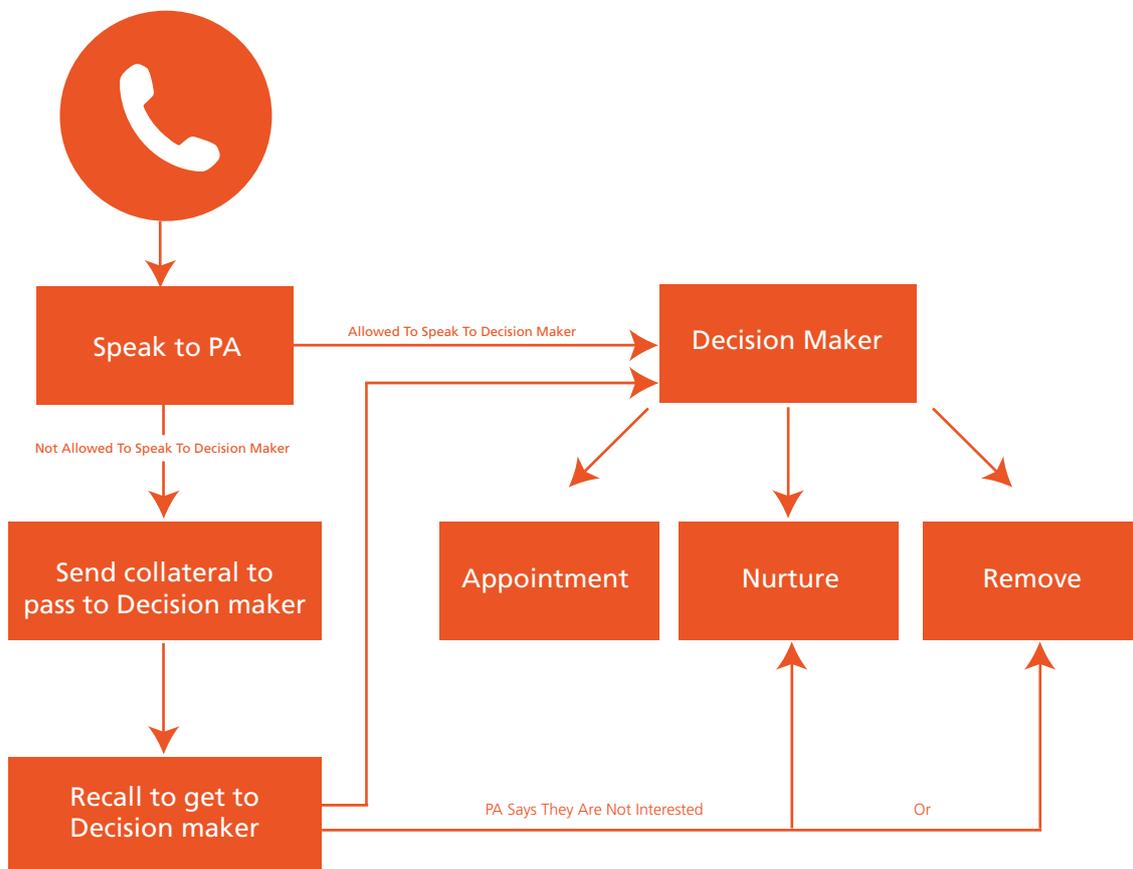
If their situation can benefit from your service then the propensity to buy is improved. Therefore if an SME is already using invoice discounting or have high debtor days they could use alternative finance.

Advances in technology have meant that database suppliers can be very specific. Allowing you to take precise resonant messages to groups of SMEs, increasing the propensity of interest.

## Contact via phone with excellent collateral

Forget your preconceptions about phone based marketing. It doesn't have to be performed by inexperienced, unworldly, scripted, pushy types. There is another world, where companies like Chartered Developments employ Ex bank managers, actuaries, FDs, business owners who earn a good living creating well qualified leads into their peer group.

There is a process for financial products that works well.



Call to speak to PA or DM and blocked by both?  
*Send collateral and information regarding the call*

## Face To Face

Unfortunately for the financial technology sector, SMEs still like to do business face to face. The NESTA report advised that SMEs are loyal because of relationships. From our own experience across the professional sector, those that buy, even through tenders are far more likely to buy from those who have built up a relationship face to face.

Interestingly we have found that the Alternative Finance and particularly Fintech suppliers must negate risk. The price advantage and smaller is more beautiful, although important driver for change, are not enough. SME's like new and innovative but they want security. The better the devil you know is a reality.

### A 74.3% Share

The UK dominates the Alternative Finance Market with a 74.3% Share compared to the rest of Europe. <sup>(4)</sup>



[http://www.jbs.cam.ac.uk/fileadmin/user\\_upload/research/centres/alternative-finance/downloads/2015-uk-alternative-finance-benchmarking-report.pdf](http://www.jbs.cam.ac.uk/fileadmin/user_upload/research/centres/alternative-finance/downloads/2015-uk-alternative-finance-benchmarking-report.pdf)

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## Nurture

In many cases, even though the alternative finance market have innovative products, the clients are still brown field buyers using primary bank products. Some on fixed periods, others although unbundled are linked to other banking products through the brand or relationship.

Therefore buying or replacement options are not taken instantly, the client needs nurturing. This means alternative finance suppliers must have a process in place to target more resources at those with the higher propensity and value.

Pipeline management is essential:- This can range through; email alerts, physical mail, phone calls and second and sometimes third face to face meetings. Therefore the deals need tracking.

There are plenty of sales tracking or CRM products on the market that link to marketing automation products. Sugar CRM, Salesforce, Interaction, Maximiser are all widely used.

The discipline seems to be the key, introducing human interaction into the sales mix, rather than purely automated nurturing, requires management.

The answer is either employ or outsource to experts.

€620 Million

In 2014 the total transaction volume of the online European alternative finance market was € 620 Million. <sup>(5)</sup>

**€620 MILLION**

Total Transactions In 2014

## No 2 Leverage the accountants

### Accountancy services are fairly dull

Accountants have seen a massive change in their market. Like banks their products/services are unbundling. There are the low value compliance products; audit, tax compliance, accounts and bookkeeping and the higher value advisory services such as; tax planning, corporate finance, structuring, business development and planning etc.

It is a mature market and demonstrating differentiators is important and nigh on impossible. The marketing between need and solution can be leveraged by alternative finance, particularly the financial technology suppliers. It is very sexy stuff for accountants to take to clients and prospects.

### Imagine this

100 different smaller regional accountancy firms offering their clients & prospects:-

- Seminar on Crowd Funding
- Free Webinar on Crowd Funding
- An interesting piece in their news letter

### There are varied routes to accountants;

- Through their member groups such as Kreton, MGI etc.
- There are plenty of accountancy linkedin groups and they do love LinkedIn
- There are trade shows such as Accountex etc

## We would suggest something else

- Create a webinar that educates them on the market and demonstrates the value to their clients.
- Promote this via email, social media channels and phone calls
- Follow up all those that attend by phone. The objective is to incentivise them to run the webinar, branded with their livery, to their clients and prospects.
- You could then mine the attendees to find those that fill your sweet spot and then nurture them.

## Conclusion

Over the years I have seen some superb brands do very well by leveraging accountants.

Sage, Xero and many IFA's have their accountants as route to market.

Do you want to learn how we can help take your product to market ?

Contact Rohan Hardeman on Rohan Hardeman [rohan@chartdev.co.uk](mailto:rohan@chartdev.co.uk)

## A Strong Alliance

UK, France and Germany were the top 3 European countries with the total volume of alternative finance transactions. <sup>(6)</sup>



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