



2020

GLOBAL LENDING
INDUSTRY TRENDS

Foreword

The tango of alternatives and classics in credit risk management and fintech is a beautiful dance that we will enjoy for a few more years to come, it seems.

The alternatives challenging the status quo are striving to narrow the gap between the consumer expectations and the ability of current business to meet them, so whoever will manage to close that gap will be able to move the whole party to a completely new dance floor. Interestingly, these challengers that defy, support or supplement the classic players can be quantified and the number is impressive: more than 35.000 start-ups in the past 5 years. Such numbers don't show a trend anymore, they show a reality.

We believe that sharing is the way to grow together, because most of us share the same goal: a higher level of financial inclusion and this is what counts.

Let's share and grow faster together, in facilitating access to finance,

The Creditinfo team

About the report

TRACKING TRENDS IS A HUNT OF VALUE

If we want to understand the future trajectories of the lending industry, we have to look at the expectation gaps that are created by the established and emerging value models.

This entails investigating business offerings and value propositions and not merely tracking technological advancements like blockchain or AI. Technology interest us only in case it leads to differentiated position in the market and competitive value that can be provided to the end client.

THE PATTERNS OF LENDING FOR 2020

The lending industry has become increasingly active, even to the point where it is becoming difficult to track and remain aware of all the changes and developments. By looking at consumer-facing value propositions, new products and features, acquisitions and new market entries, we identified a set of industry patterns.

These patterns allow us to clearly understand the present situation as well as envision the possible future scenarios.

TREND CLUSTERS

This report covers three major developments in the lending industry:



TREND CLUSTER 01

ADDED VALUE LENDING



ADDED VALUE LENDING

A convergence trend - separate functionalities are combined into a single offering.

CHALLENGE

For a long time, lending products have been regarded as a single feature service that is driven by segmentation based on client risk-profile, promise of short interactions and attractive offers regarding pricing or payment terms. With promises of seamless and fast service becoming the industry standard, offer-based marketing has been eroding margins of lending market players.

Due to such prevailing approach it is increasingly difficult for lending players to differentiate themselves. Some of the players still manage to rework their back-end systems to offer their customers pricing innovations like more precise or adaptive interest calculations, but this takes a long time to develop and sometimes can be hard to market and communicate to the end-users.

The market who focuses on attracting consumers and first interactions misses out an important point - A) clients who opt-in for lending products have a high chance of being repeat users B) prospects who are illegible to get a product at the moment, might become high-value clients in the future.

SOLUTION

The models discussed here are not entirely new - some of the players have been using them for as long as 3-4 years, but it is the proliferation of such approach and the share size of variations that signals the increasing importance of providing additional value in the lending market.

The solution to the problem of a commoditised product is simple - offer an added-value solution that either addresses a bigger need or allows to use the product in a more efficient way. The market has come up with a variety of different approaches - integrating tracking and monitoring tools, adding free credit-scoring, providing educational and guidance content, allowing on-demand interactions with specialists and experts, etc.

Added-value lending is a convergence trend, which means that we stop regarding lending as a product and start thinking of it as an ongoing service. Lending product becomes a tool. Giving clients a tool instead of a product also increases the potential switching costs.

IMPLICATIONS FOR BUSINESS

Businesses are always looking to optimise their client acquisition and retention efforts. Added-value lending is not the result of optimisation but rather a product of diversification, i.e. developing new channels, offerings and messages to attract users that might initially be uninterested in the core lending products.

The additional tools companies are providing consumers with are turning into brand-specific sales channels that can be developed to independently attract new customer and client segments. Another use - building ongoing and repeated service usage that helps building brand loyalty in a segment that is characterised by extreme rates of service switching.

IMPLICATIONS FOR CONSUMERS

Due to such added-value offerings in the market clients will have increased expectations about the way the product usage can be controlled, monitored and what outside help they can expect in different product usage situations. The question that lending players have to answer is how their product is going to impact their clients or even ensure their financial well-being in the future

TREND CLUSTER 01
ADDED VALUE LENDING

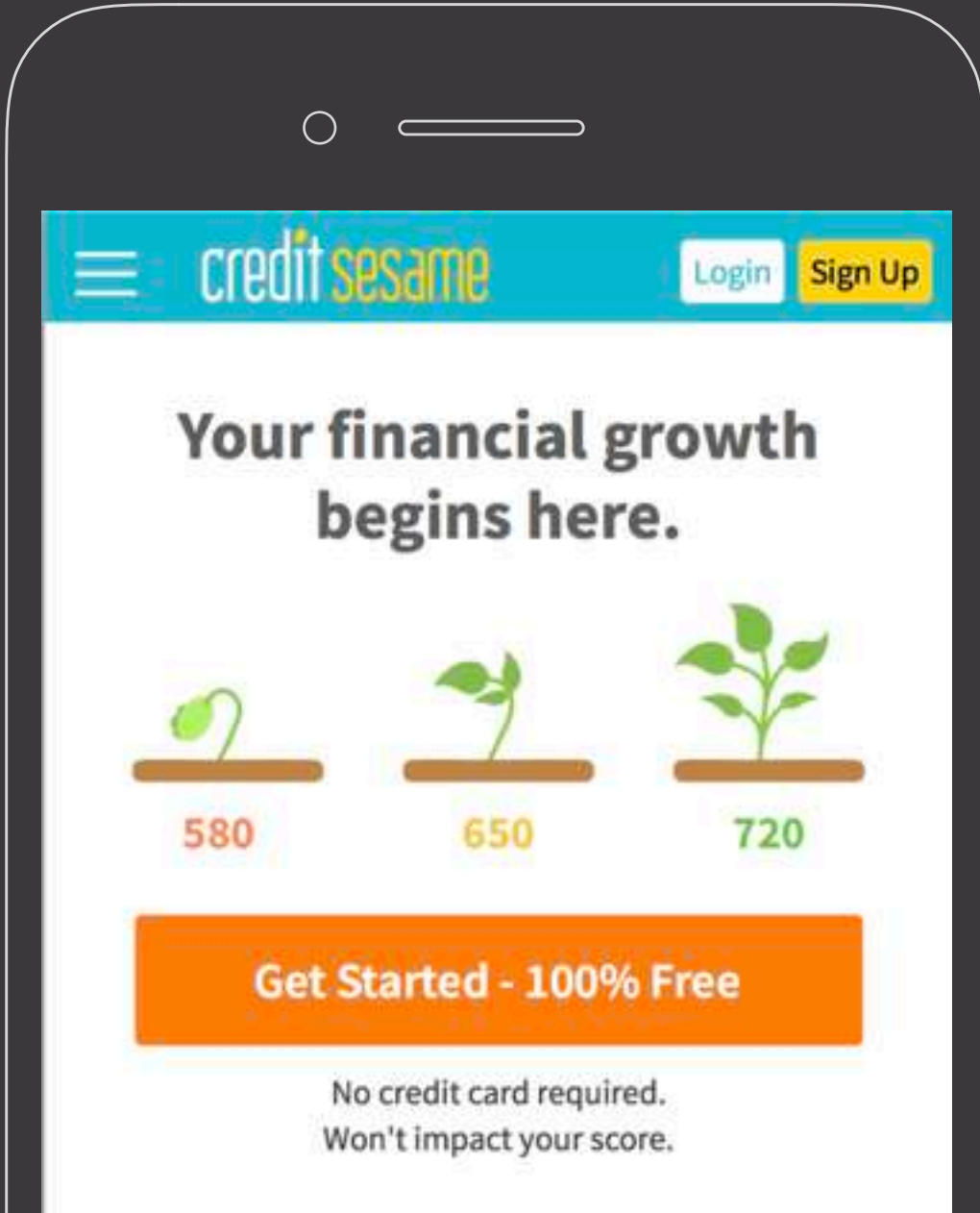
01

 **INFORMATION WITH
PERSONALIZED PRODUCTS**

Companies are addressing an information seeking consumer with a promise that the product offerings are going to match their personal situation.

**INFORMATION WITH
PERSONALIZED PRODUCTS**

Presenting lending products as part of a bigger package.



SAVVY MONEY

Products that fit user's credit profile.

CREDIT SESAME

Credit-scoring with personalised offers.

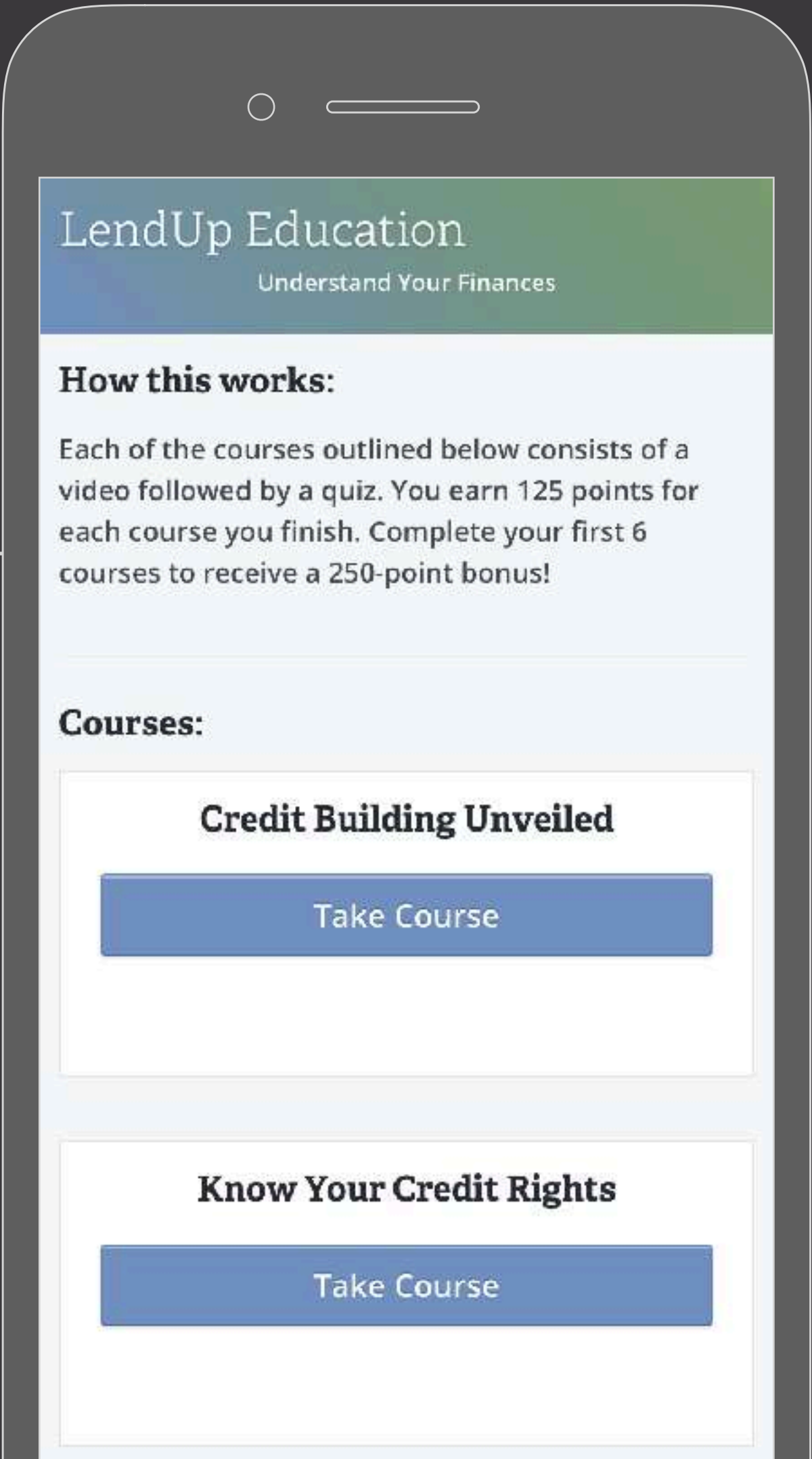
CREDIT SUDHAAR

Extensive reporting with tailored offerings.

INFORMATION WITH
PERSONALIZED PRODUCTS

LendUp

Providing educational
content that unlocks
additional benefits.



SoFi

Adding career and salary
advice and content on top
of a traditional product.

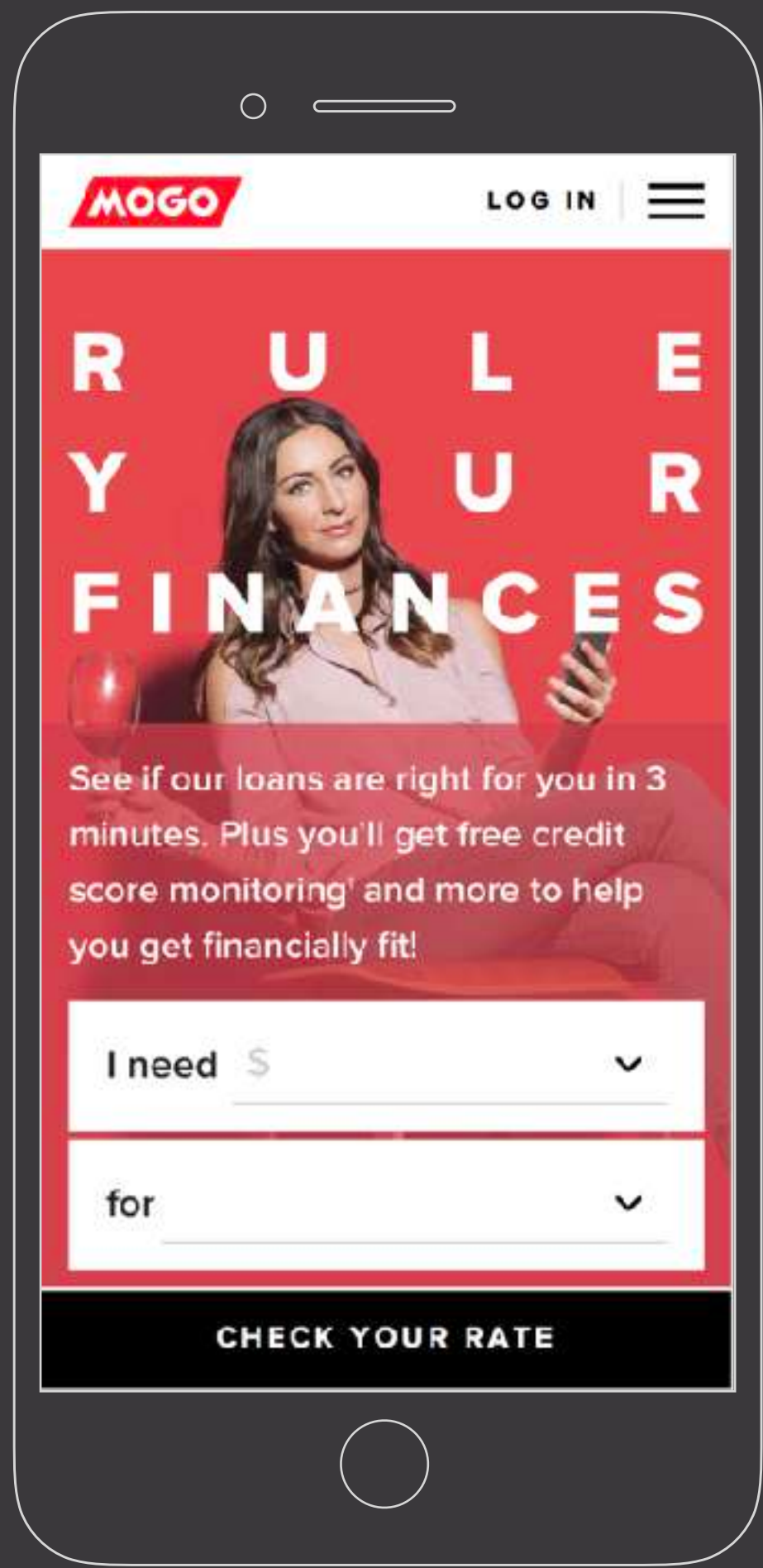
TREND CLUSTER 01
ADDED VALUE LENDING

02

+ PLANNING AND TRACKING

Additional level – providing planning, tracking and monitoring tools that help you stay informed about your financial situation and obligations in real-time.

PLANNING AND TRACKING



MOGO

progress trackers,
reminders, spending
trackers, credit-score
combined

Monitor your credit score for free

We offer free monthly credit monitoring which is not only an important part of managing your financial health, but can also help identify potential ID theft. [Learn how](#) Mogo can help you in light of the recent Equifax breach.

MORE ON CREDIT SCORE >

Ditch debt faster

Mogo's loan experience is designed to help you get out of debt faster, whether you have good or not-so-great credit. Get pre-approved for up to \$35K at rates as low as 5.9%³ without hurting your credit score.

MORE ON LOANS >

Take control of your spending

Stay on top of your spending with the free MogoCard and Spending Account². Always know how much you're budgeting and how much is left—no more overspending.

MORE ON SPENDING >

PLANNING AND TRACKING



THINKMONEY

Account with in-build credit product and monitoring tools.



Our account helps you to stay in control

✓ Help boost your credit rating

Our account helps you to never miss a bill, which could improve your credit rating. A better credit rating means better deals if you borrow money in the future.

✓ No unexpected fees or charges

We won't charge you to withdraw or for bounced Direct Debits. So you won't get any nasty surprises from us.

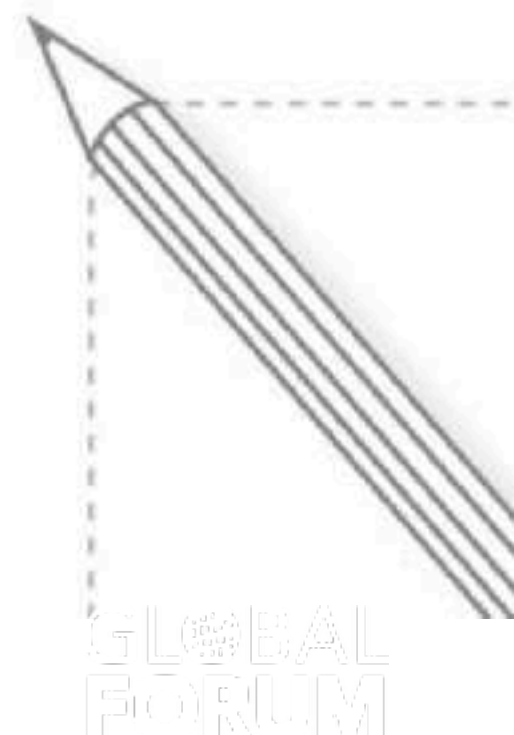
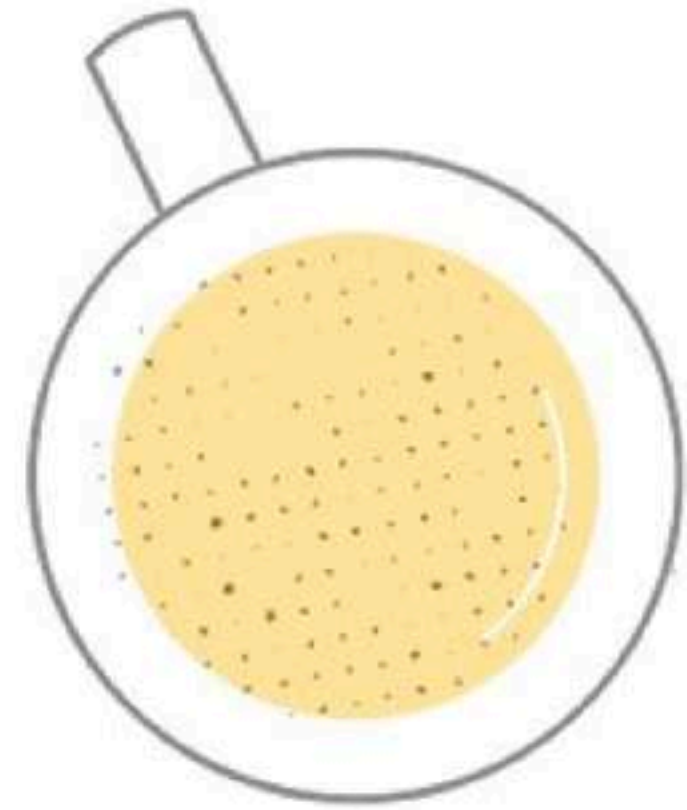
✓ Control your day-to-day spending

We set aside the money you need for your bills, and the rest goes on your debit card, so you know exactly what's yours to spend.

✓ Money Managers to help you budget

They'll help you budget for your monthly bills and answer any questions you have. Oh, and they're UK based.

[Apply online >](#)



PLANNING AND TRACKING

The same development is reflected through recent M&As.



Integrating their services with Wealthsimple and Equifax.



BillGuard becomes Prosper Daily of Prosper (P2P lending).



Affirm acquired Sweep (app based personal finance tool) in 2016.



Payoff and Commonbond integrated with Moven (personal spending management).

TREND CLUSTER 01
ADDED VALUE LENDING

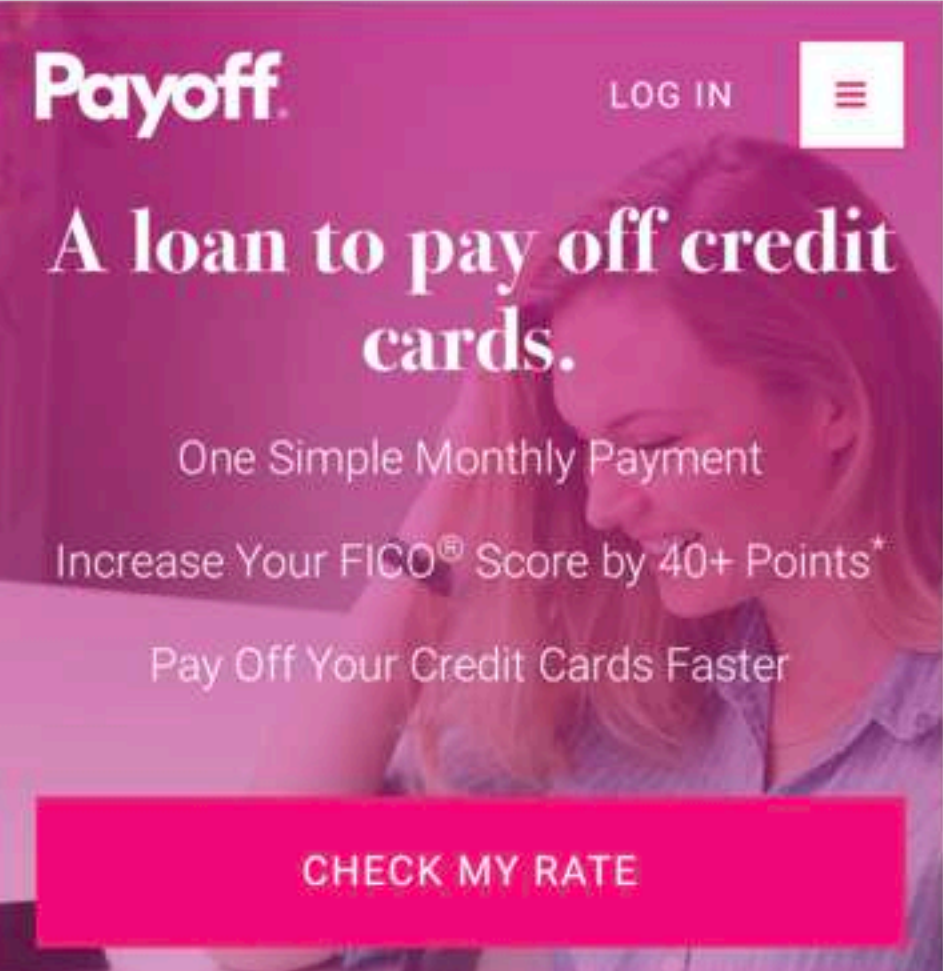
03

+ PLANNING AND REBUILDING

A cluster of services aimed at helping people rebuild their credit-score.

PLANNING AND REBUILDING

Lending products with a promise of a positive impact.



Payoff LOG IN

A loan to pay off credit cards.

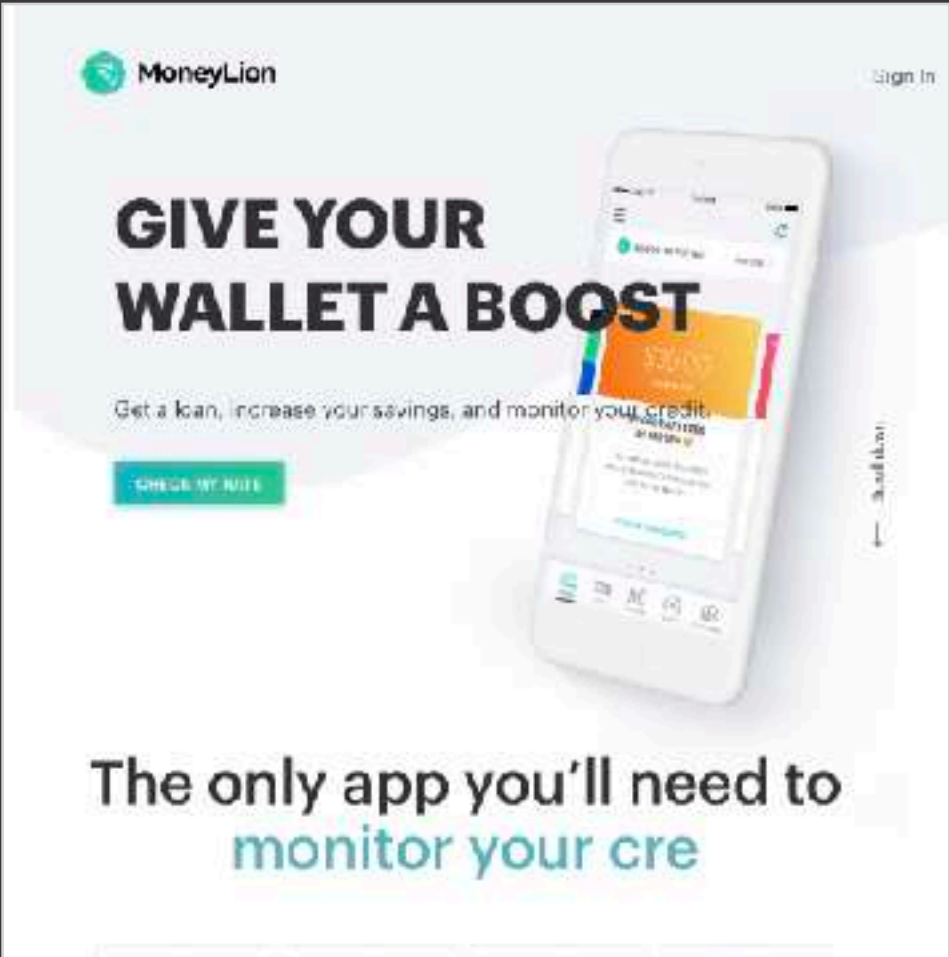
One Simple Monthly Payment

Increase Your FICO® Score by 40+ Points*

Pay Off Your Credit Cards Faster

CHECK MY RATE

+



MoneyLion Sign In

GIVE YOUR WALLET A BOOST

Get a loan, increase your savings, and monitor your credit.

CREATE MY ACCOUNT

The only app you'll need to monitor your cre

+



self lender

Build credit while you save

The most responsible way to build credit

GET STARTED

✓ No credit score required

PAYOFF

Loans for covering credit card debt and building back creditscore.

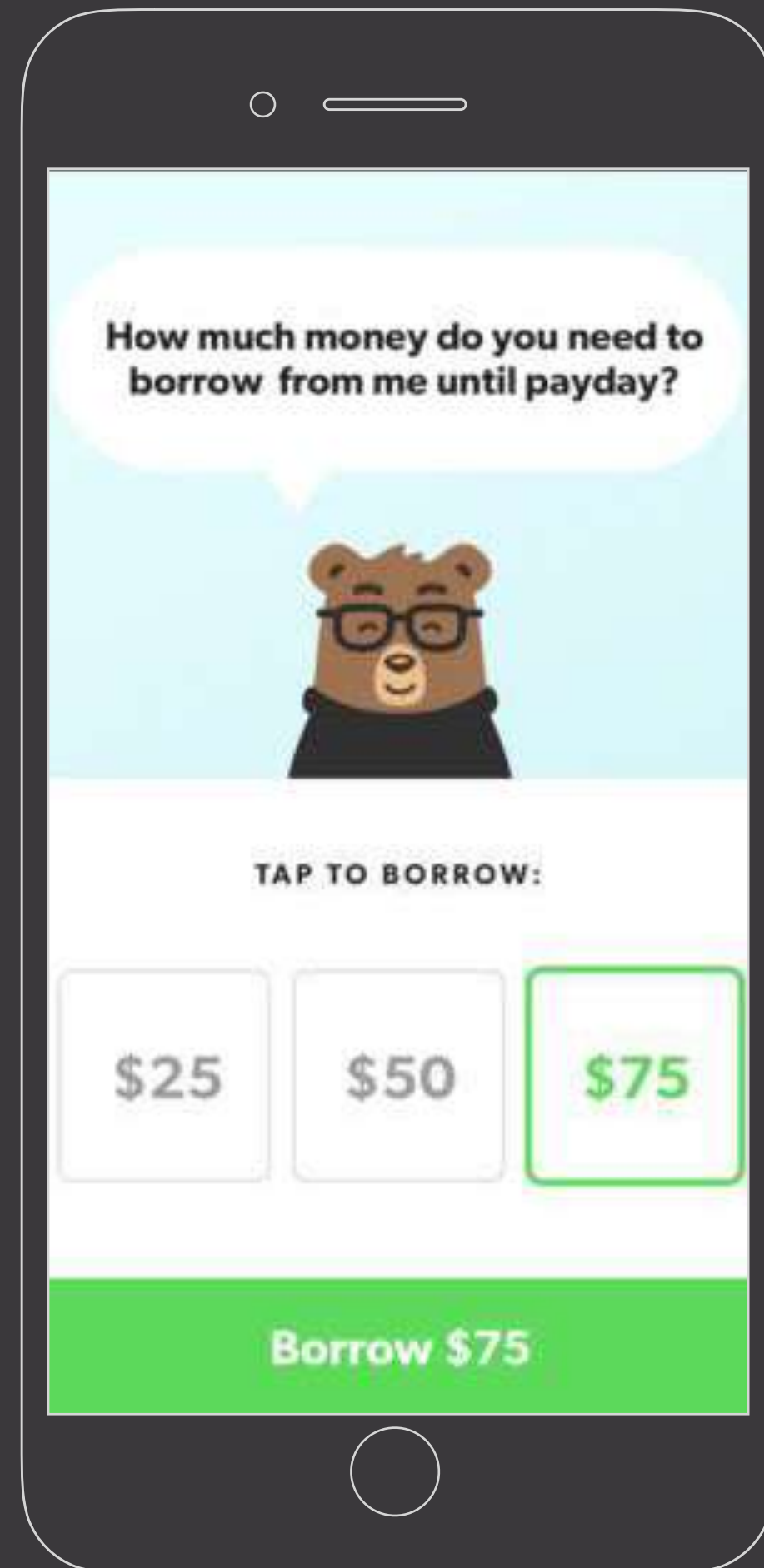
MONEY LION

Getting a loan, increasing savings and monitoring credit.

SELF LENDER

Building credit while saving.

PLANNING AND REBUILDING



DAVE

- + Identifies upcoming payments that will put you in red.
- + Borrow from your next pay-check at 0%.

Dave.com
Outsmart Overdrafts™



TREND CLUSTER 01
ADDED VALUE LENDING

04

+ ADJUSTING DEALS

A cluster of services that adapt to
changing situation or client needs.

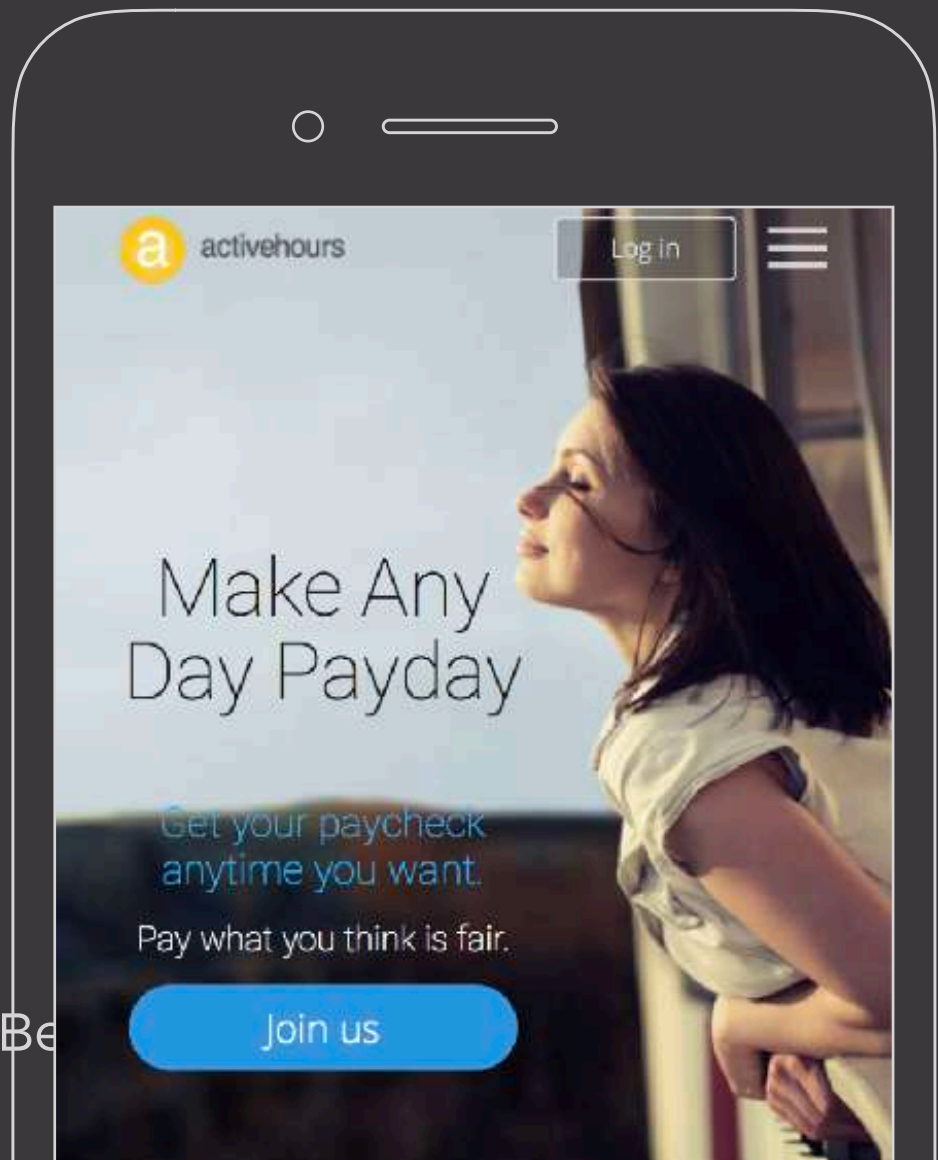
Flexibility spillover in fintech

In general, the fintech sector has been showing exemplary performance in terms of different ways in which it enables clients to control, change and shape the products that they are using. In comparison to these developments, lending industry has still some catching up to do.

EXAMPLES OUTSIDE THE LENDING INDUSTRY:

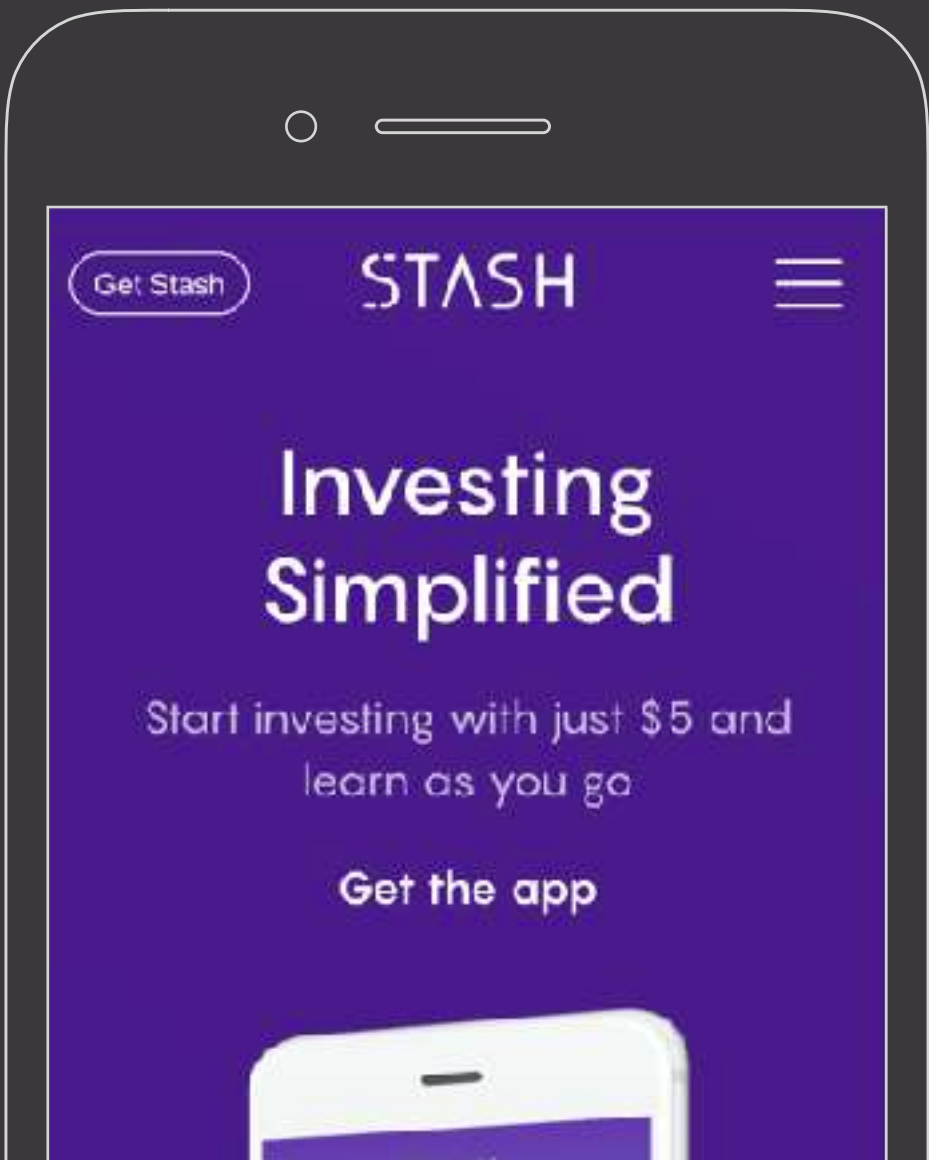
ACTIVE HOURS

Cash out based on hours.



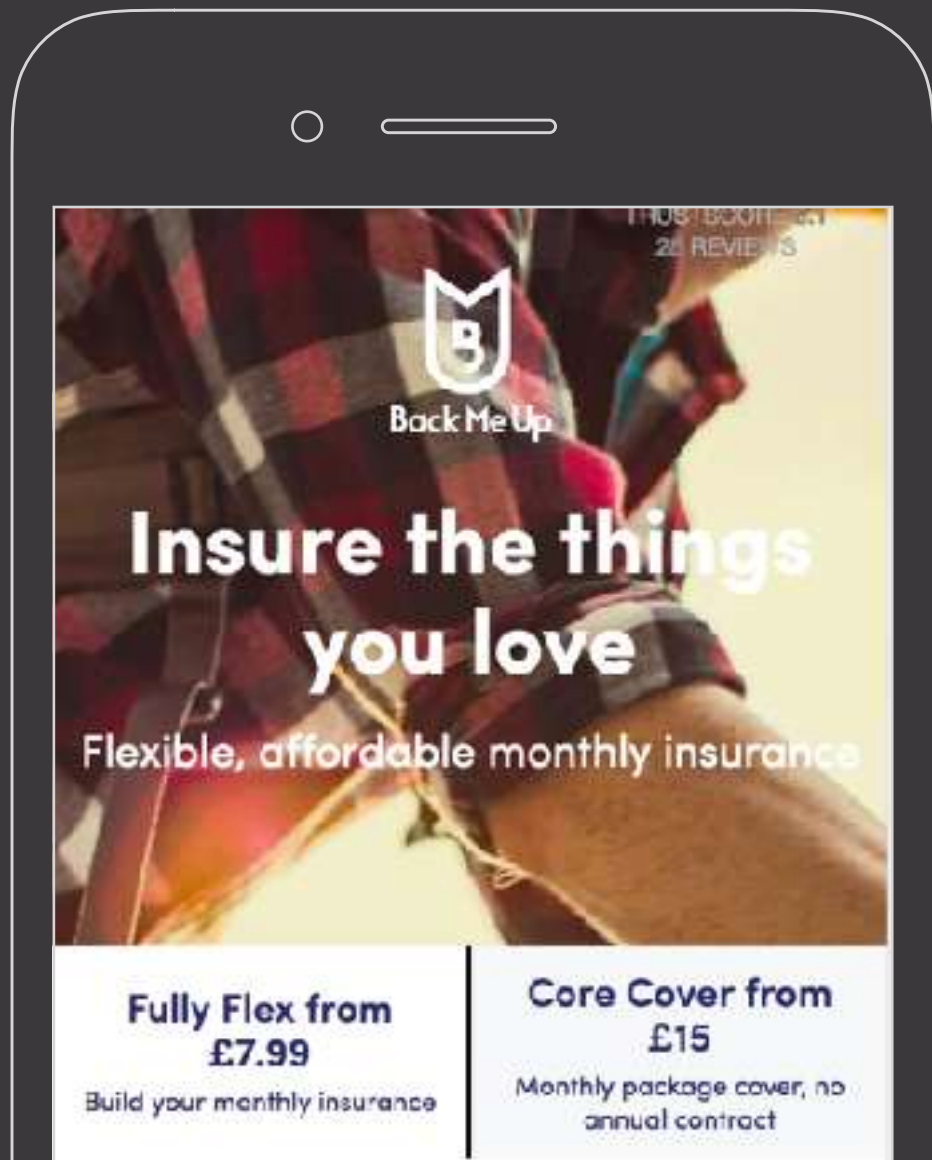
STASH

Investing with no money.



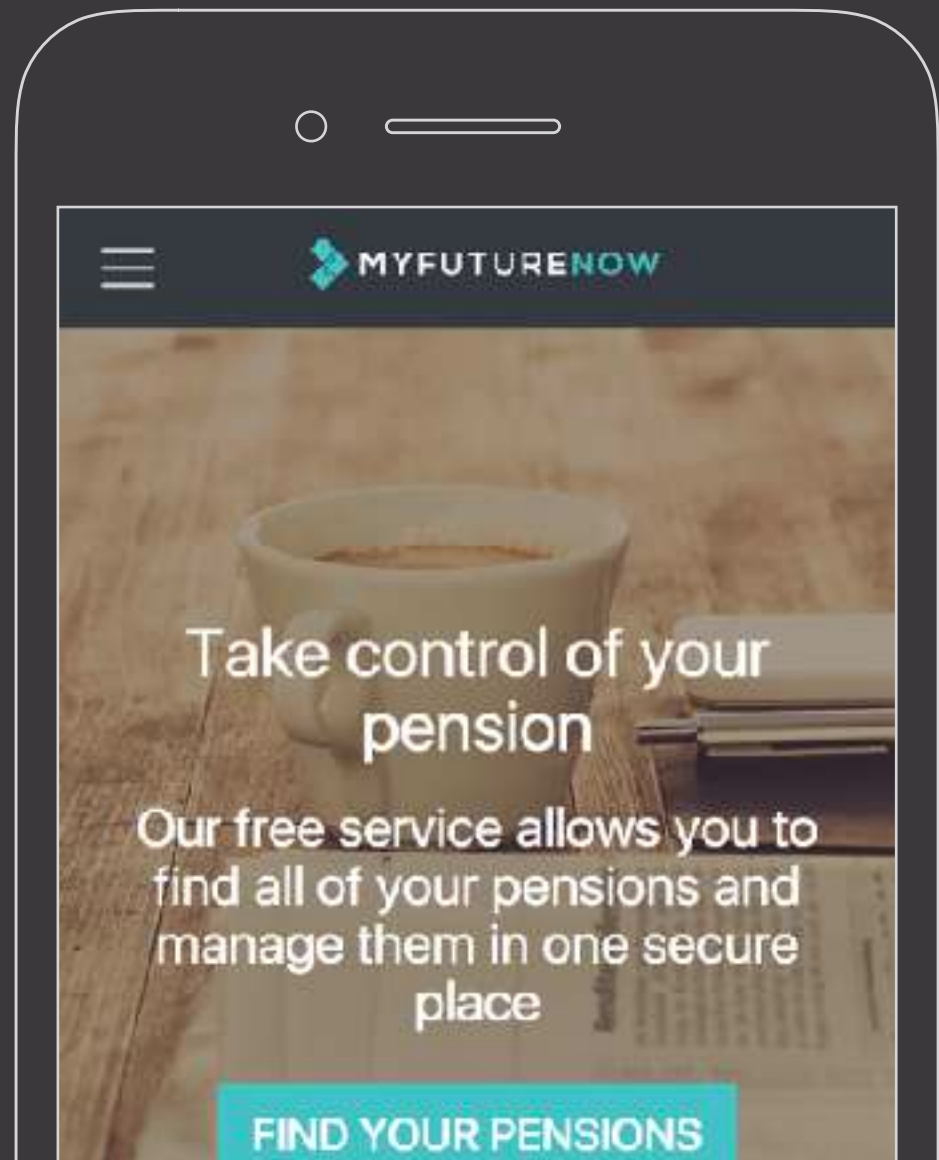
BACKMEUP

Flexible insurance of things

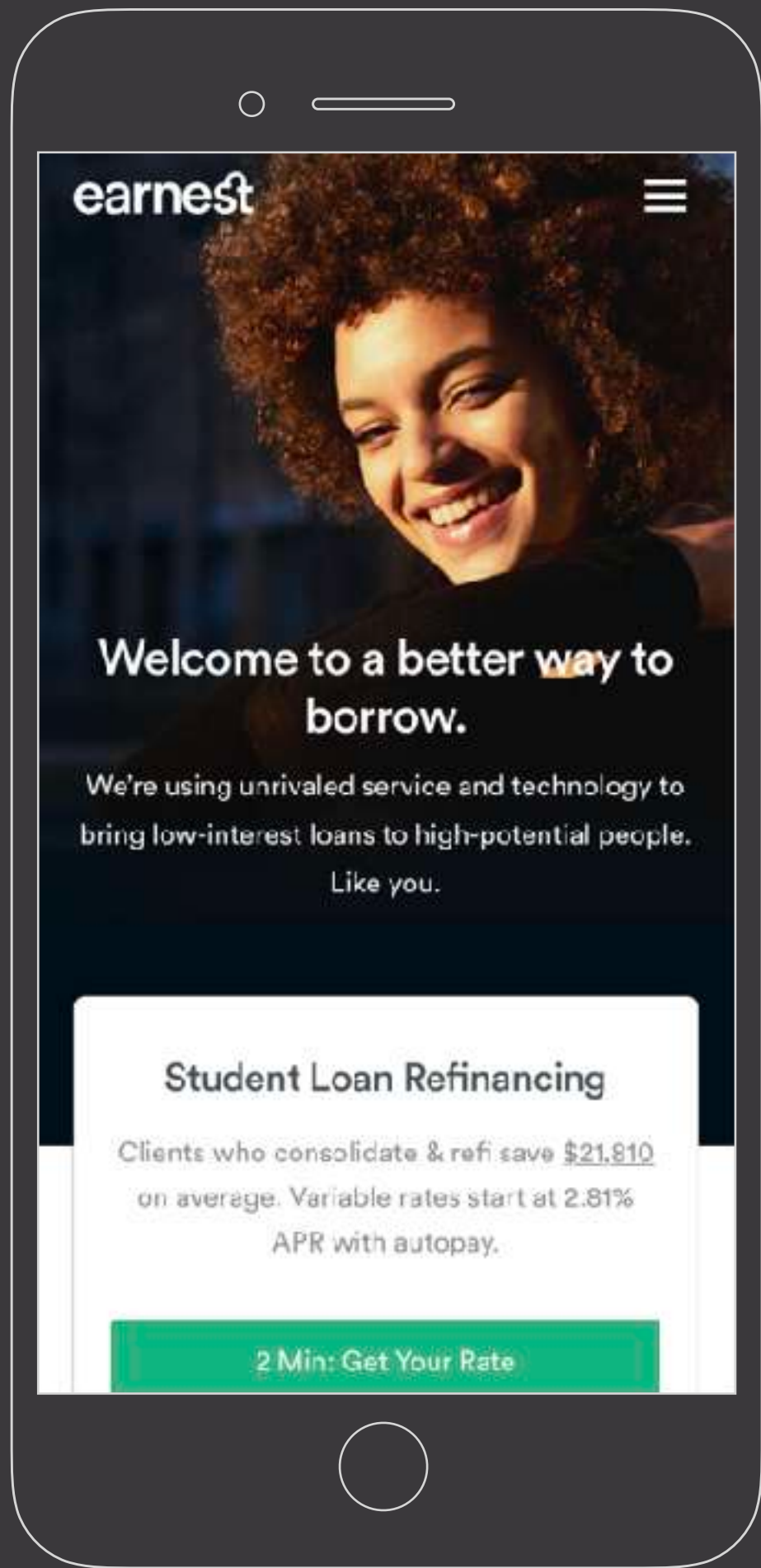


MYFUTURENOW

Consolidating pension products.



ADJUSTING DEALS



EARNEST

Using precision pricing models, so consumer can change and customise monthly payments on the fly and the company changes the rest.



ASCEND

Automatically adjust a loan as the borrower's risk profile changes.



CLIMBCREDIT

- + Identifying universities with good return on investment.
- + Reducing fees, if the student does not find a job after graduating.

Grading education

A fintech startup tries to shake up American student loans

Taking the risk-return ratio of education seriously



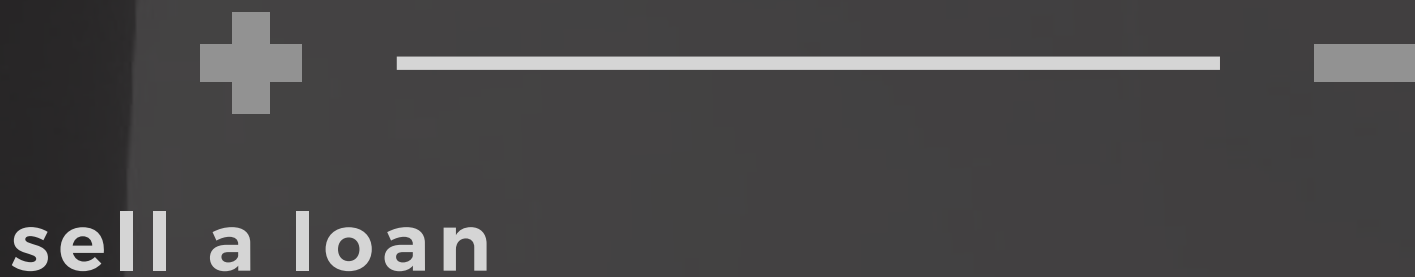
Print edition | Finance and economics >

Jan 26th 2017 | NEW YORK

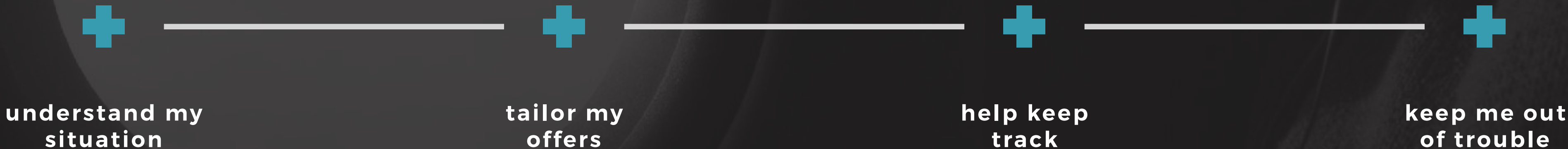


IN AN old factory building in lower Manhattan a fintech startup is seeking answers to a question that has tormented teachers and students for decades: what is the value of a given course, teacher

OLD MODEL



NEW MODEL



DEVELOPMENT TRAJECTORY

This approach marks the tonal shift from favouring the speed and seamlessness of the on-boarding process to the ongoing use of the service. It means that instead of just catering for the very first interactions with clients, lending players are starting to provide value across the whole client journey – understanding the client's situation, tailoring and personalising the offer, providing tools to keep track of the situation and providing help on the way to keep the client out of financial trouble.

Lending products are slowly rebranding themselves and products for long-term financial-health where lending offering is just a part of a bigger package. In some cases, it helps solve the credibility issues that the market has been suffering from, in others – it opens new ways to attract and retain customers.

TREND CLUSTER 02

FULL PICTURE SCORING

FULL PICTURE SCORING

Companies are discovering new ways to serve existing and previously unidentified consumer segments.

CHALLENGE

Traditional credit score has been devised to serve a client that has an existing history of financial product usage – and this by definition excludes a number of potential clients who either don't have a long financial history, have not used lending products before and/or have unstable diversified income.

Every market features a number of segments that have an existing need for lending products and are capable of keeping their financial obligations, but cannot provide accepted forms of proof of their willingness.

SOLUTION

The question that the industry started asking is simple – what other types of data can we use to assess the credit-worthiness of an individual?

If previously it has been about getting access to comprehensive financial data, now the potential field of solutions is becoming wider.

The question of how can we extract financial data that would prove the prospect's credit-worthiness is replaced by the question of how can we extract any data that would prove the prospect's creditworthiness? Even though it seems like a small difference in wording, the implications for the industry are huge.

IMPLICATIONS FOR BUSINESS

The possibility to use diversified data sets to assess potential clients will create new ways to acquire and convert clients as well as a possibility for businesses to directly (through lending products) or indirectly (through data partnerships) tap into financial markets.

For traditional lending players this means the necessity to form data partnerships and collaborate with existing popular B2C offerings that allow to reach wider audiences as well as identify and evaluate them.

IMPLICATIONS FOR CONSUMERS

The possibility to seamlessly integrate scoring into a wider range of products means that at some point consumers will expect personalised offerings and flexible conditions from services that used to rely on fixed pricing – telecommunications being the closest and most realistic candidate.

Inevitably, credit scoring is becoming a broader concept than just a tool for lending services. The way it spills into social, digital, mobile and personal dimensions increases its relevance and promises increased returns for the user.

At the same time, if the pace of scoring proliferation continues, the increased anxiety related to the pervasive evaluation will only increase. This can only be counter-balanced by creating a sense of equal trade - consumers will come to expect to be rewarded for the personal data they provide.

TREND CLUSTER 02
FULL PICTURE SCORING

01

ADDITIONAL DATA

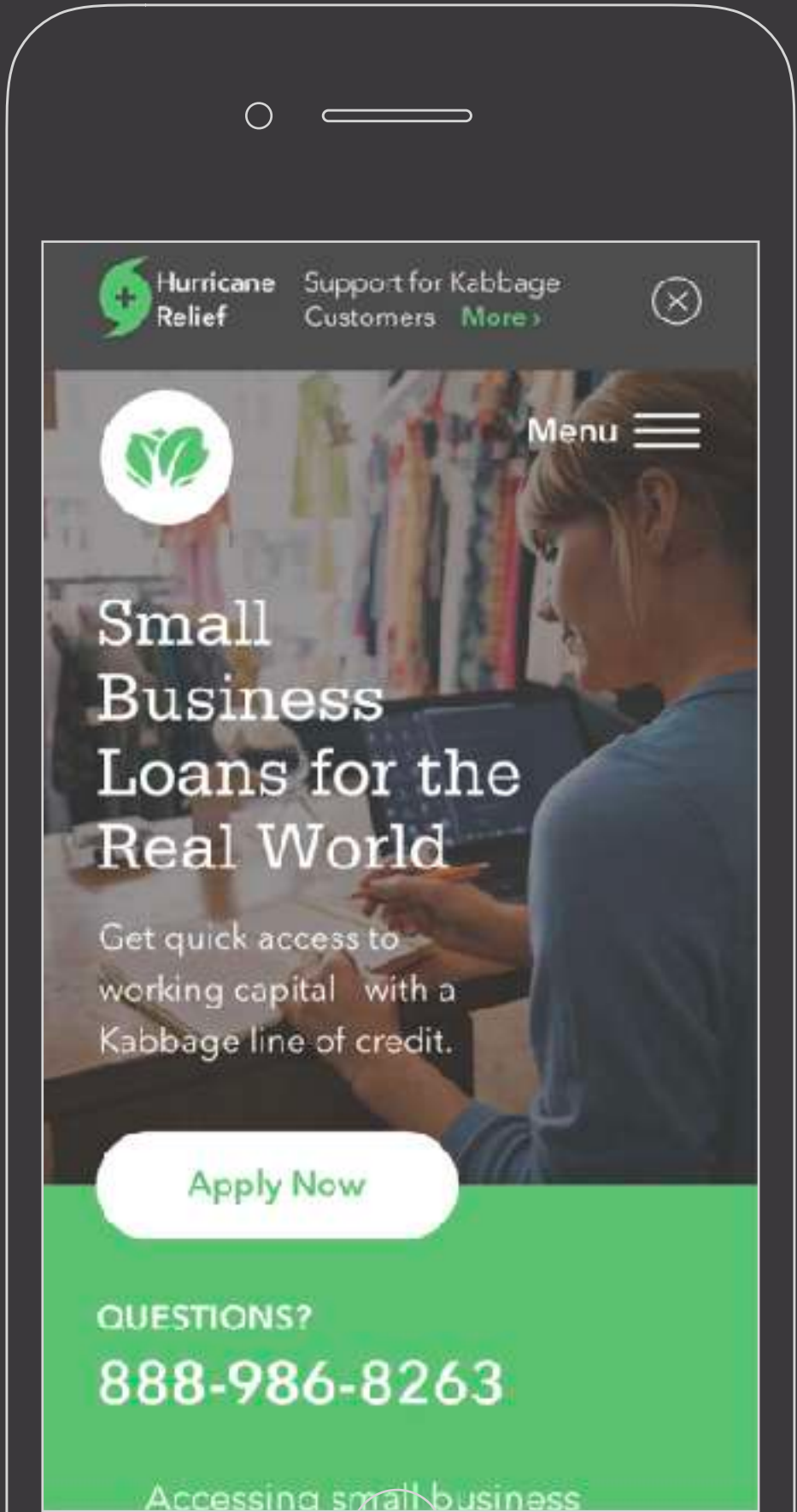
Account balance, spending habits or even education and job position become the standardised way to personalise offerings to clients.



ADDITIONAL DATA

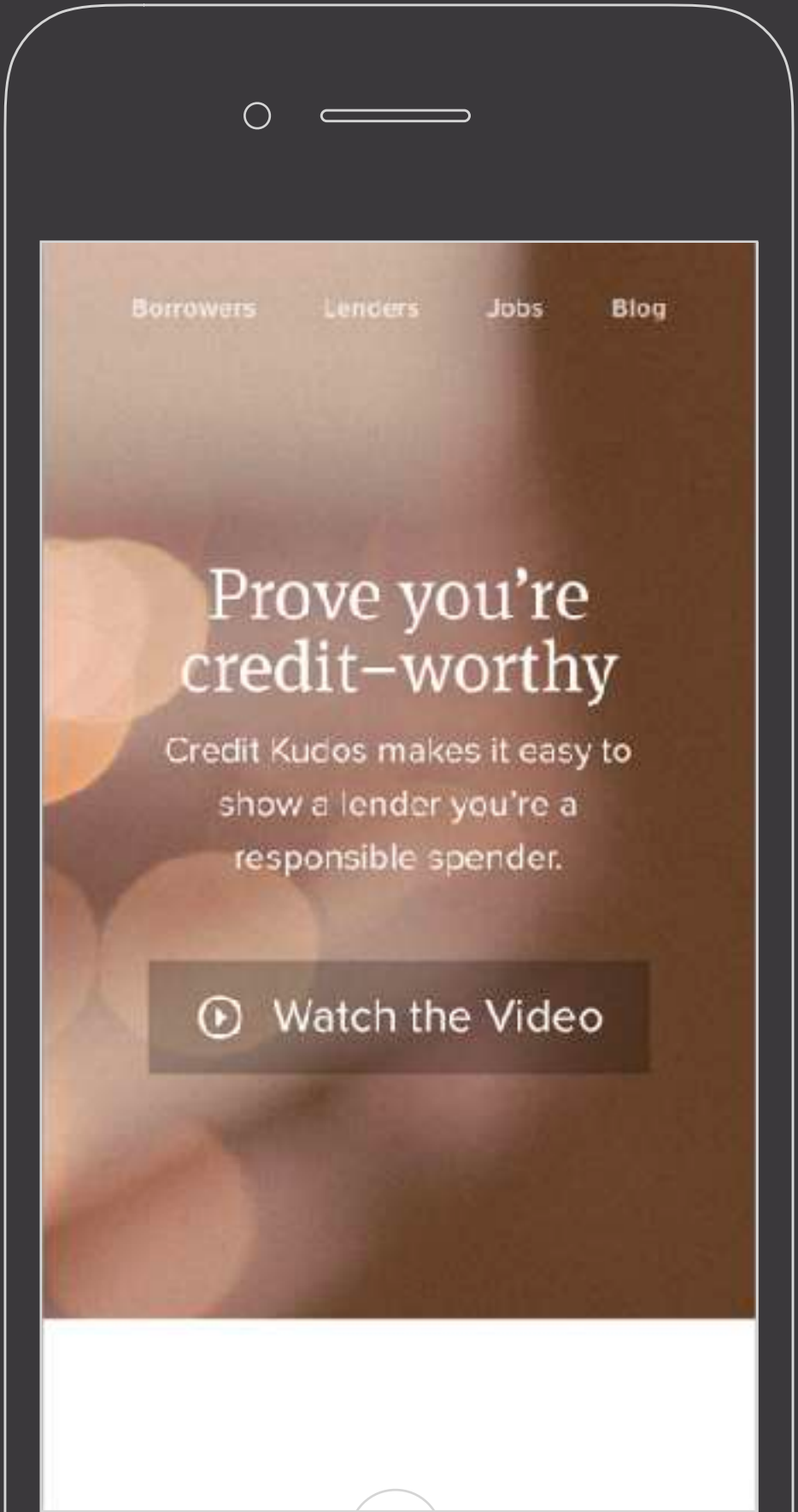
KABBAGE

Accessing additional business data.



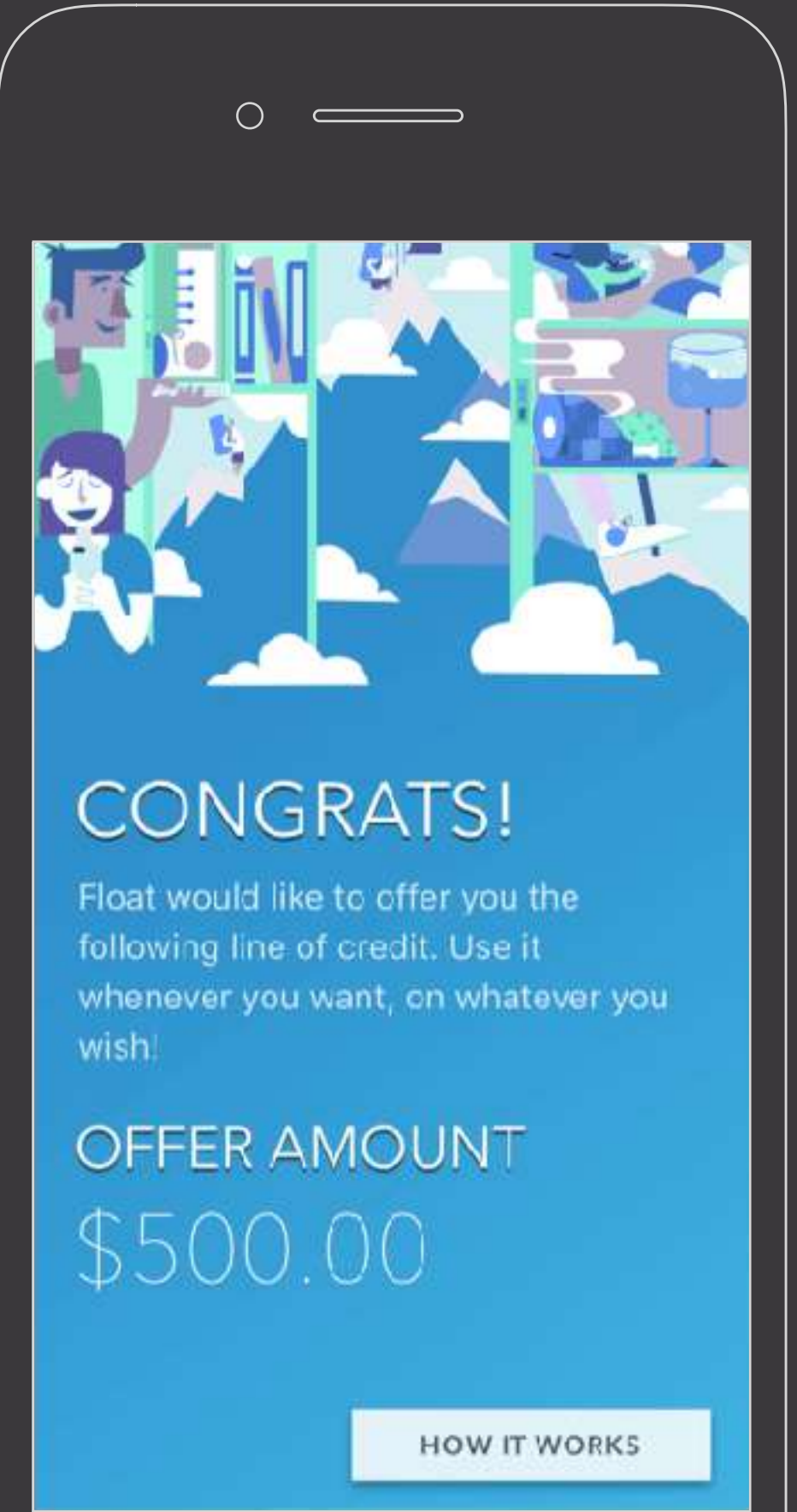
CREDITKUDOS

Assessing spending habits.



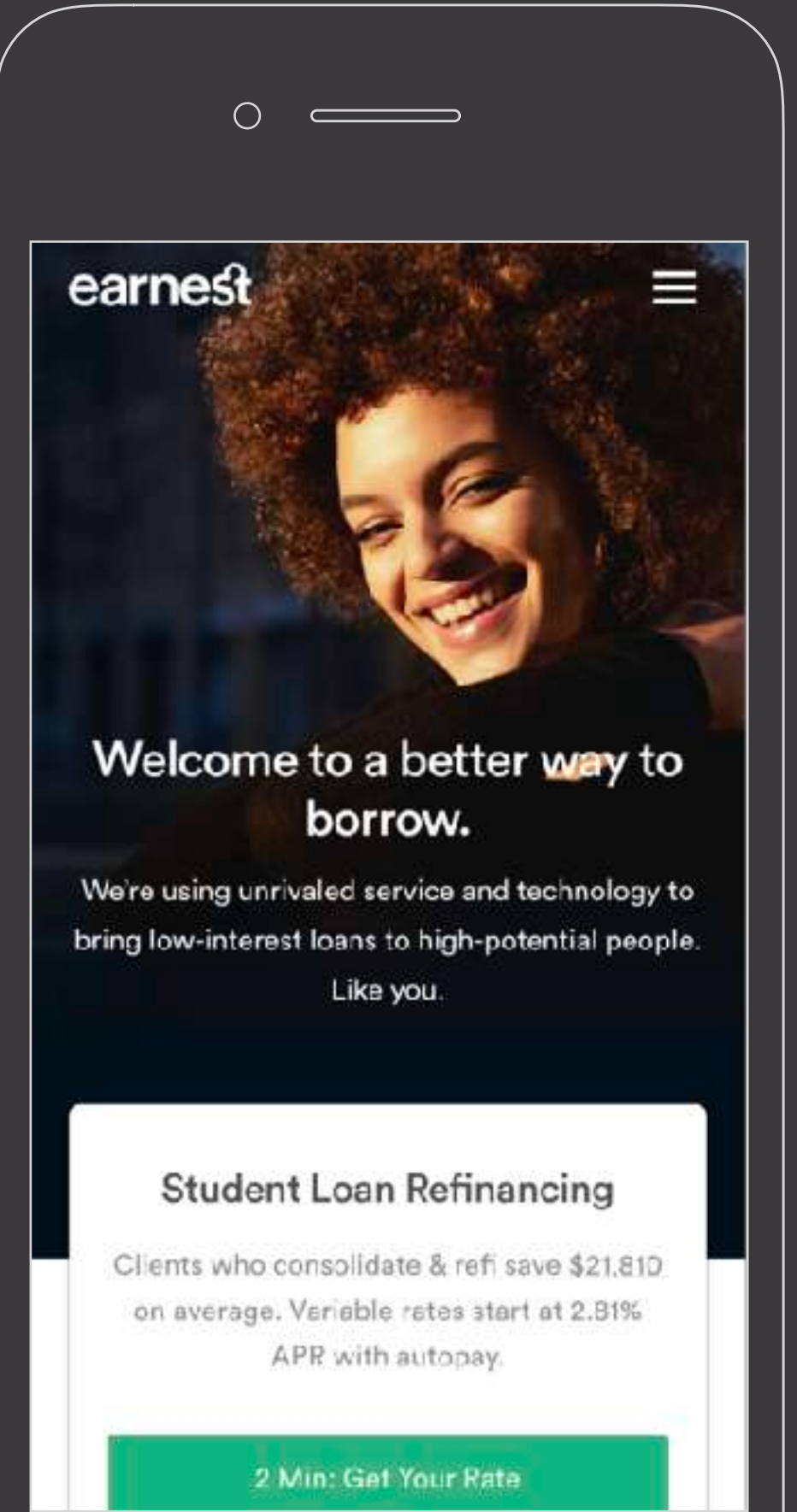
FLOAT

Assessing money management habits.



EARNEST

Incorporating education history and employment background



TREND CLUSTER 02
FULL PICTURE SCORING

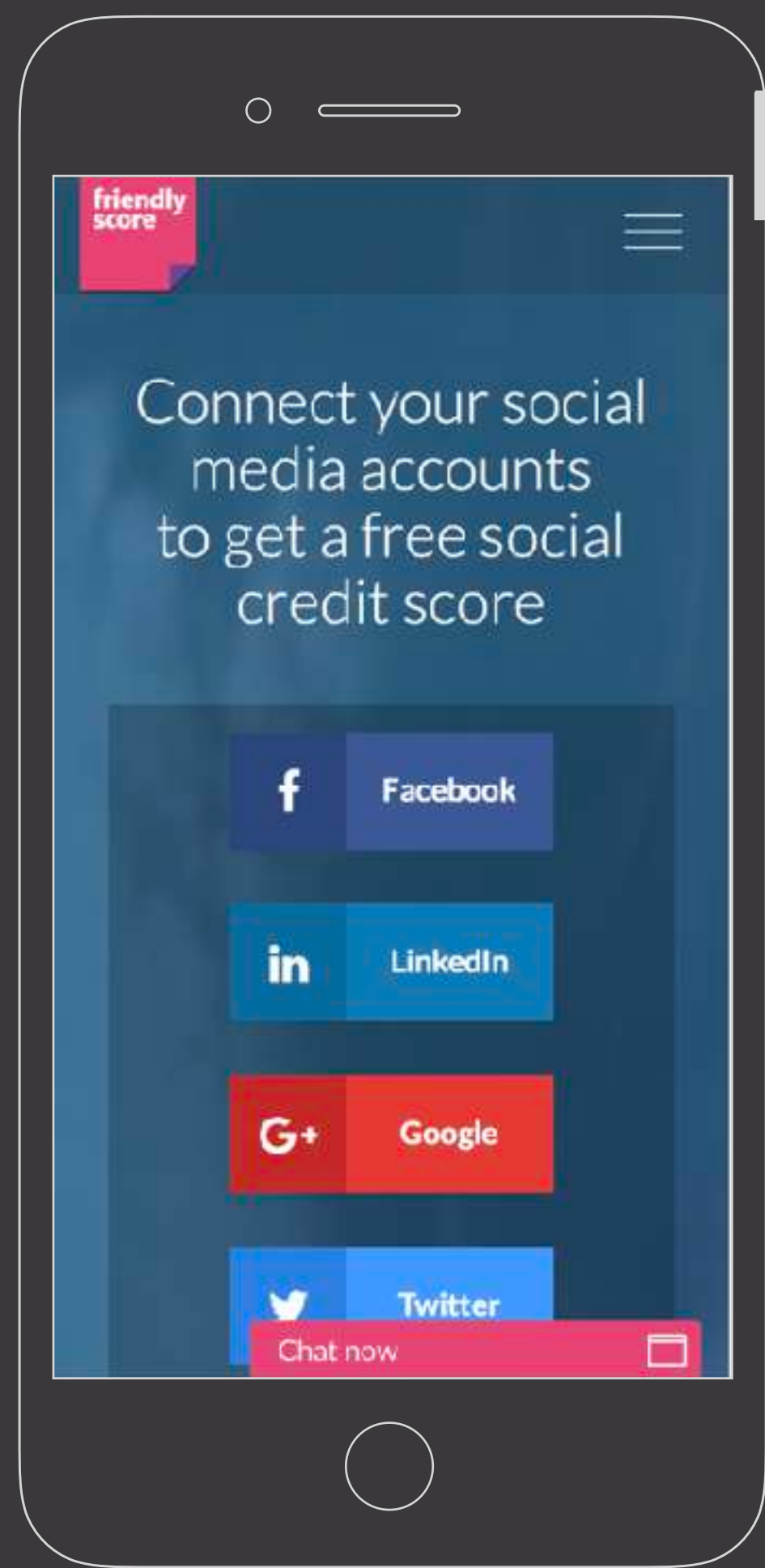
02

ONLINE: SOCIAL MEDIA

Social media information becomes both an addition and a substitute for traditional scoring data.

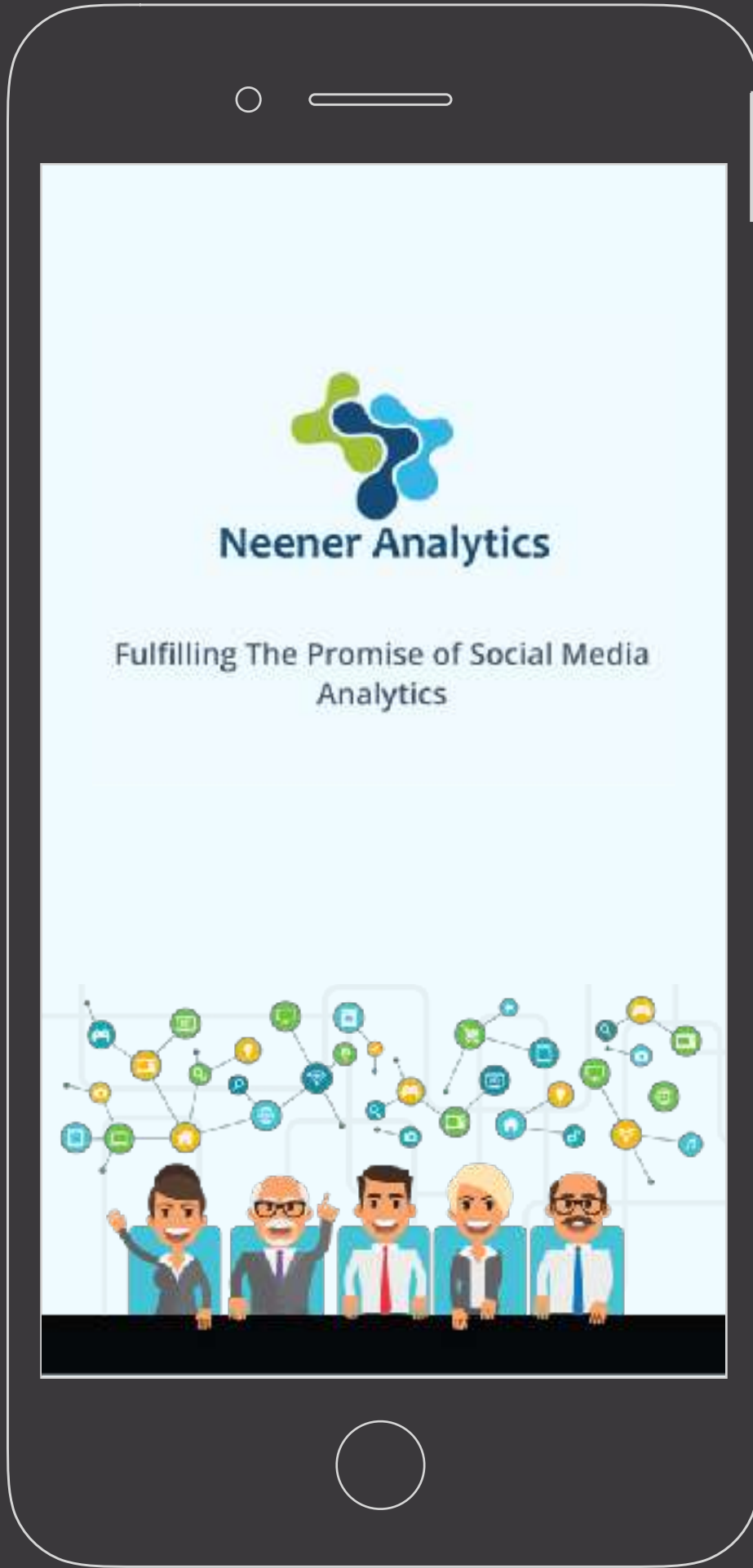


ONLINE: SOCIAL MEDIA



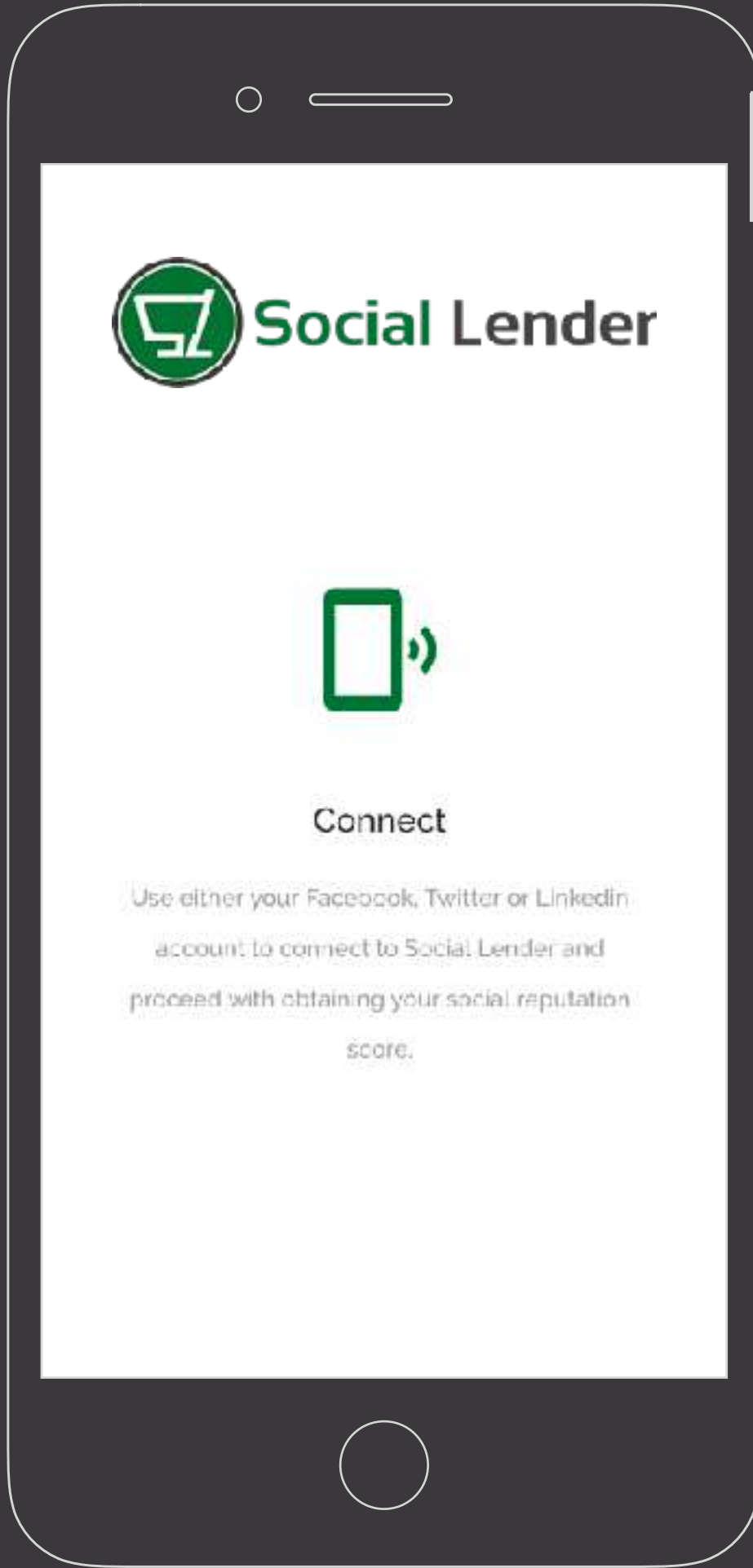
FRIENDLY SCORE

Social credit score through connecting all social media platforms.



NEENER

B2B offerings on social media based scoring.



FRIENDLY SCORE

Platform evaluating and lending based on social media score.

TREND CLUSTER 02
FULL PICTURE SCORING

03

ONLINE: E-COMMERCE BEHAVIOR

Transactions that we perform online provide a opportunity to create a user's picture: travel agencies, shopping and group-buying, online gaming and payment providers are entering the field.

ONLINE: E-COMMERCE BEHAVIOUR

With historically insufficient credit information, China is now moving to the forefront in alternative scoring methods.



China's largest online consumer lending marketplace partnering with transactional online companies to use their data.



Is gradually testing and expanding its "social credit" system that will give users a numeric rating based on their spending habits and social connections.

**BONUS FEATURE
BAIHA**

A popular Chinese dating app provides incentives such as more highly visible profiles to members who have Sesame Credit scores and wish to make these viewable by others.



TREND CLUSTER 02
FULL PICTURE SCORING

04

MOBILE-BASED SCORING

The biggest untapped source of data is the one device that we spend the most of our time with – our own smartphone.

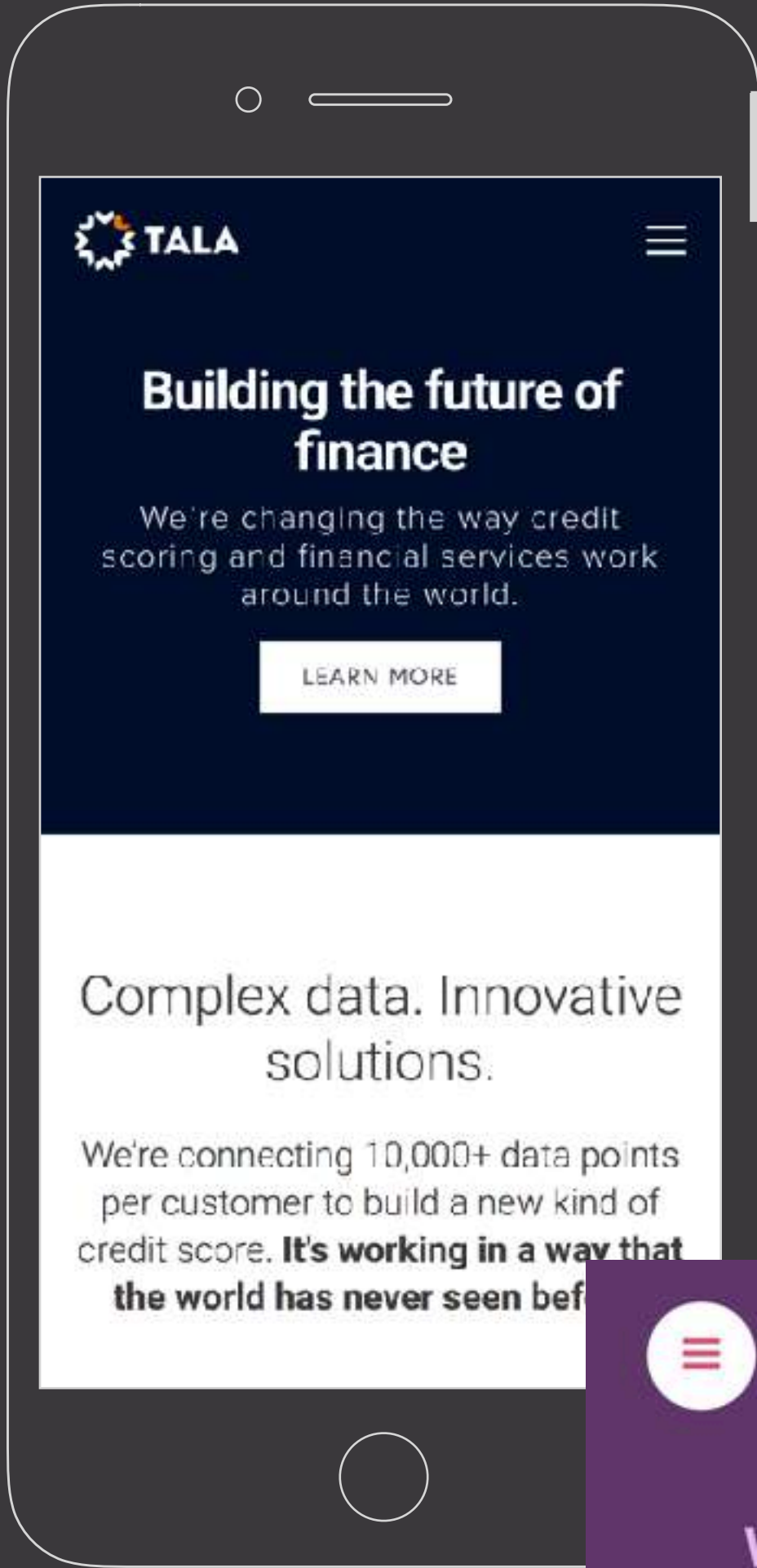


MOBILE-BASED SCORING



CIGNIFI

Scoring based on mobile behaviour.



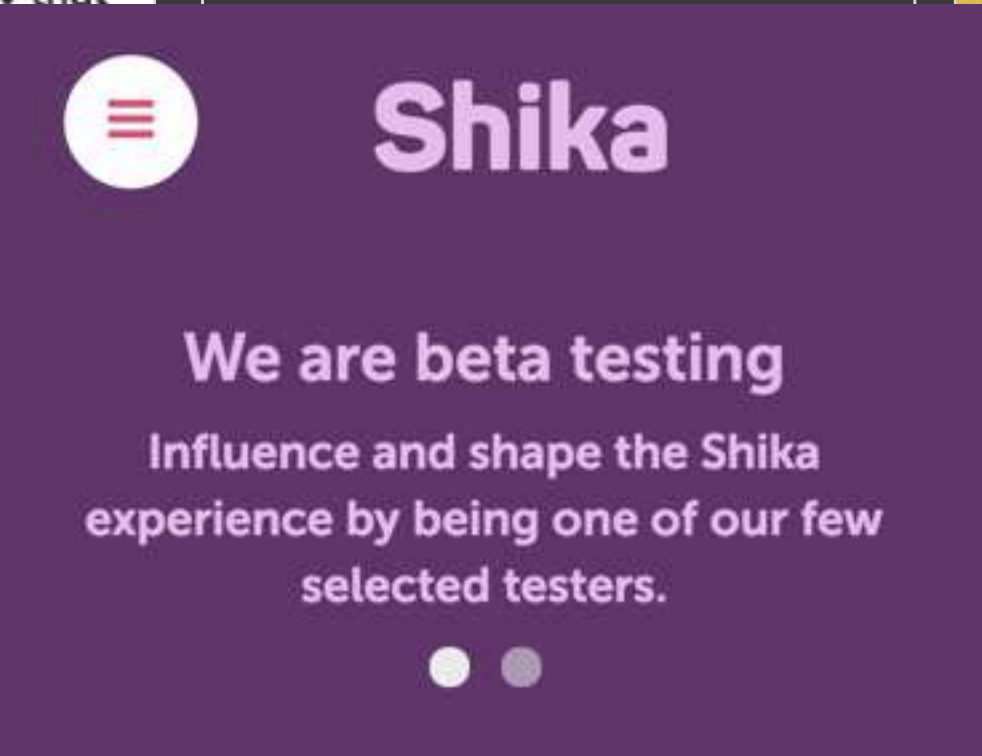
TALA

Assessing creditworthiness by analysing user's mobile data.



JUVO

Mobile identity solution.



TREND CLUSTER 02
FULL PICTURE SCORING

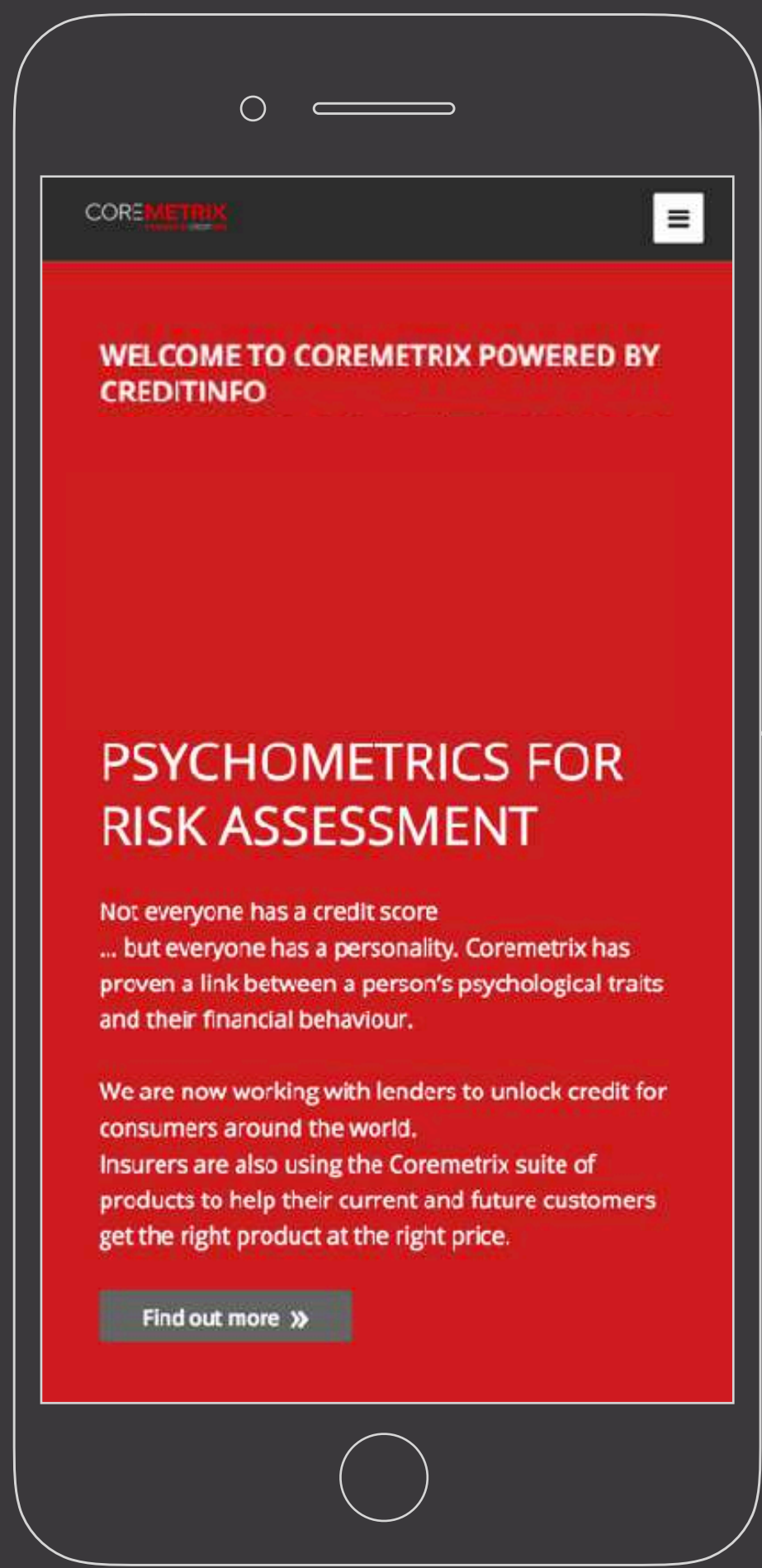
05

PSYCHOMETRIC

If our personalities determine our behaviour then one of ways to predict it is to directly address psychometric measuring.

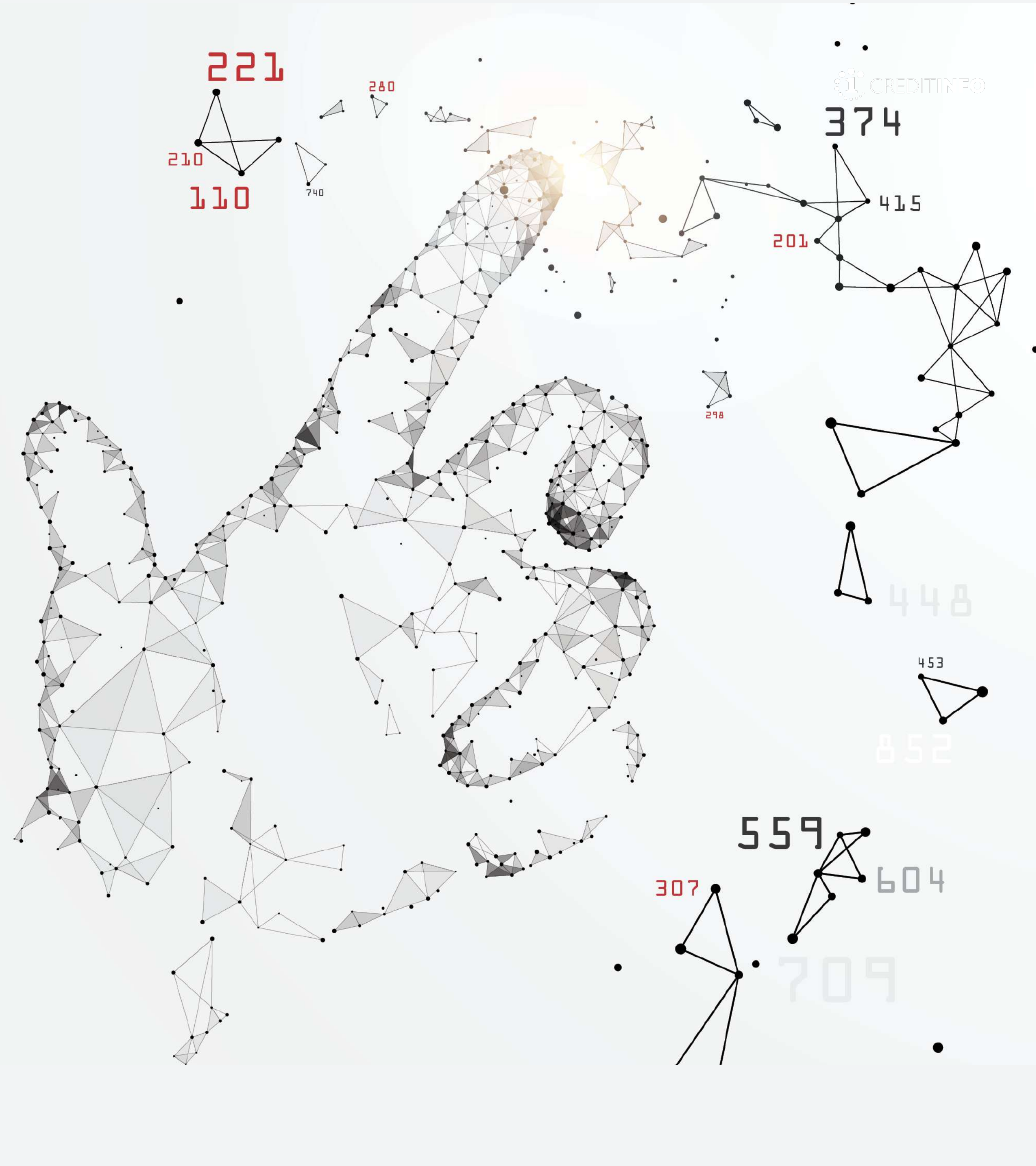


PSYCHOMETRIC



COREMETRIX

Mapping psychological model to build behaviour models across the user’s lifecycle.



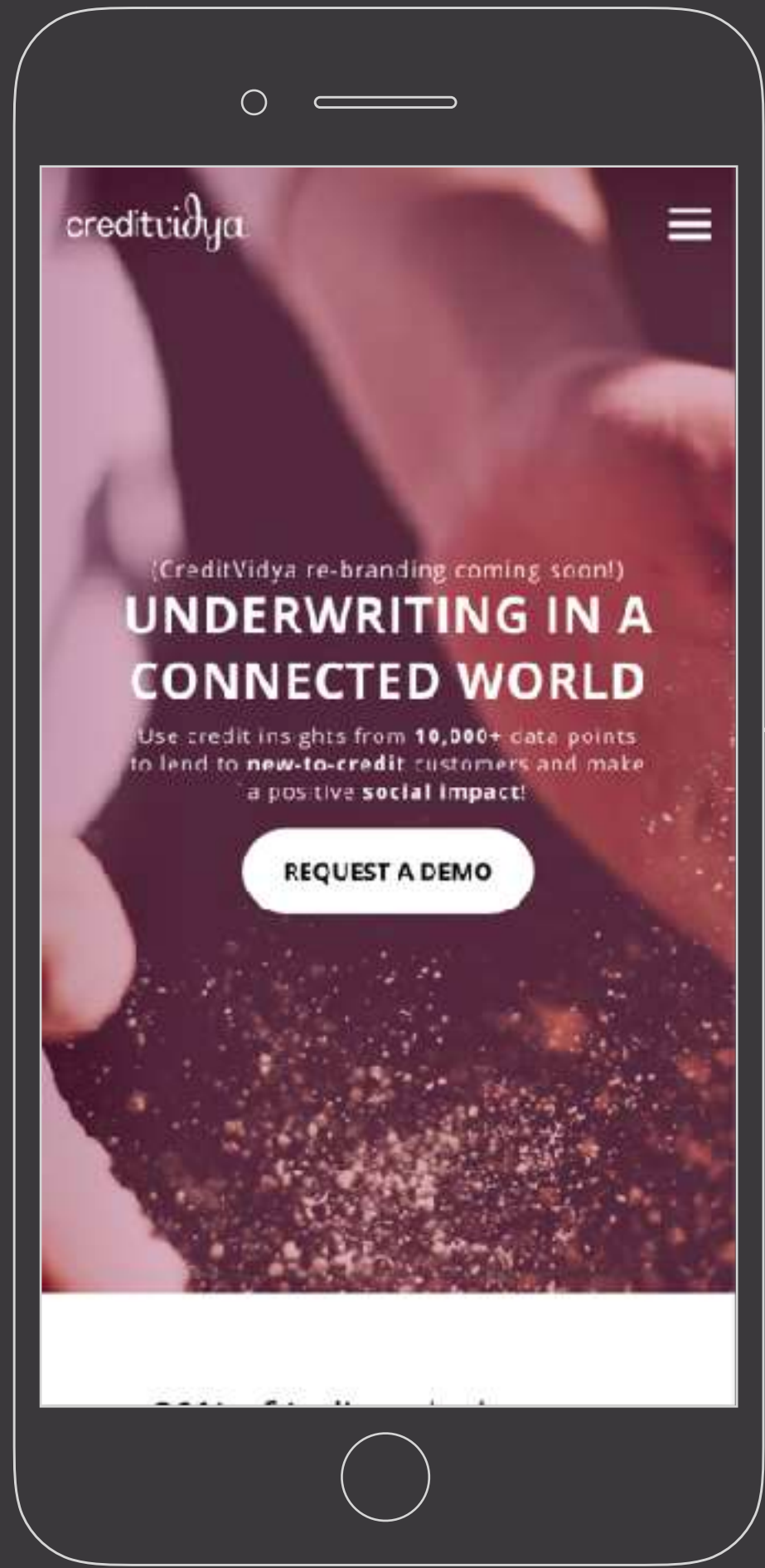
TREND CLUSTER 02
FULL PICTURE SCORING

06

INTEGRATION

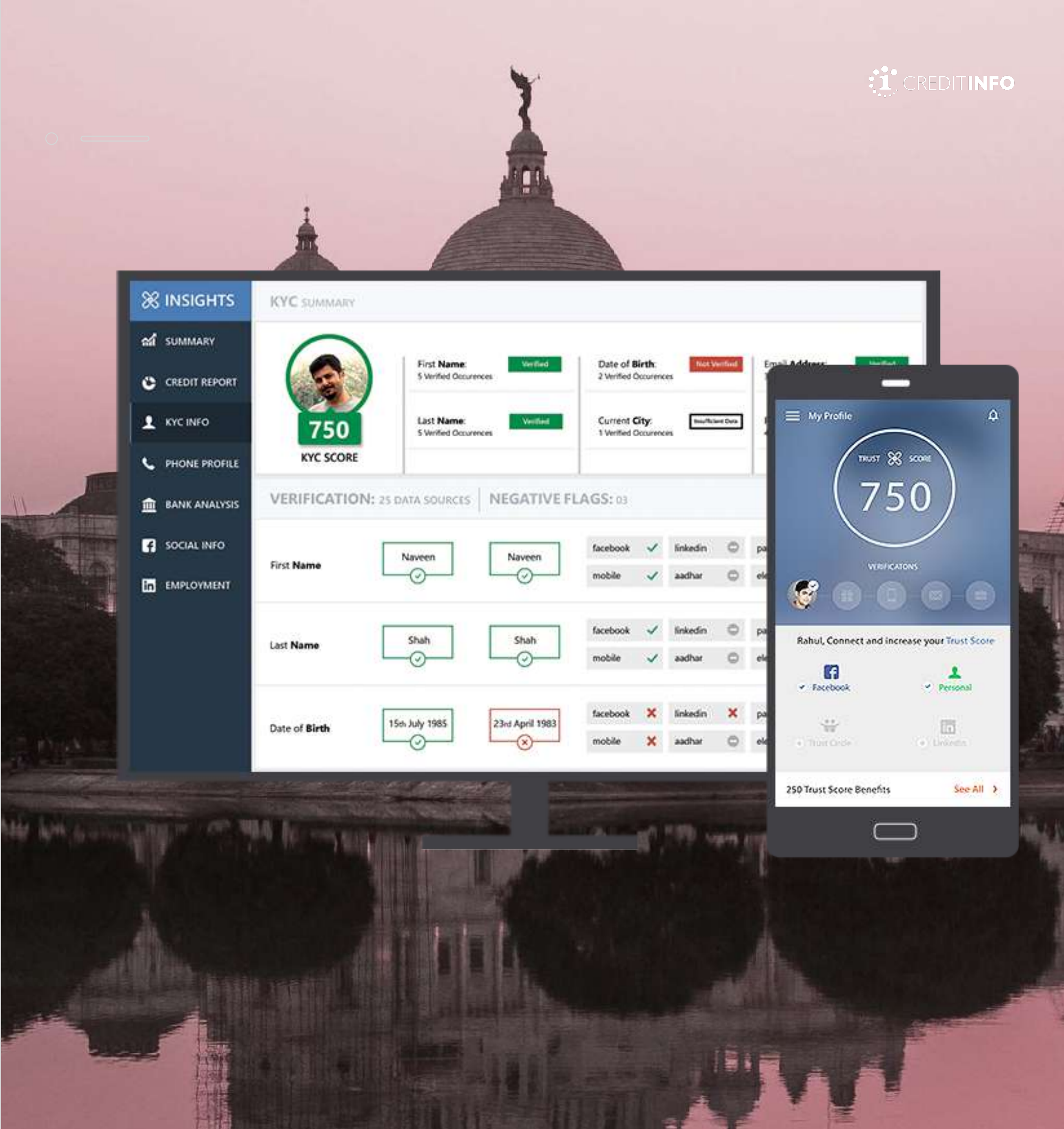
Lastly, it becomes more apparent that there is an increasing need to integrate all of the aforementioned data sources into one profile.

INTEGRATION



CREDIT VIDYA

Combining 10,000 data points.



The rules are changing – it's not about who has the money to lend, but rather about who has the data to assess.

Whoever is producing data on users, is inevitably a direct player or an indirect participant in the lending market.

DEVELOPMENT TRAJECTORY

The first transformation of the scoring use is noticeable in the way additional scoring methods are gaining the spotlight and replacing the traditional model in situations where there is no traditional financial data.

But the full picture scoring trend does not stop here. Naturally, if we are able to access untapped data, we can also start thinking of creating new types of data that would, over time, result in new ways of assessing a person's credit-worthiness.

WHAT DOES IT MEAN FOR CONSUMER EXPECTATIONS?

- 01 Expecting the lending service to be provided by anyone and through any channel.
- 02 Expecting increasing returns from brands that we are spending most of our time and financial resources on.

TREND CLUSTER 03

HYPER SEG MEN TA TION

HYPERSEGMENTATION

Companies are discovering new ways to serve existing and previously unidentified consumer segments.

CHALLENGE

Saturation of lending players results in overabundance of tactical actions and campaigning used to attract the fleeting consumer base. At the same time, due to some increasingly rigid regulation in some markets, lending companies are struggling to find ways to stand out and claim their uniqueness.

The most basic yet powerful decision heuristic that both B2C and B2B clients are using is a simple question – is it for people like me? What we want to know is whether the offering we are choosing is built around our needs and whether people like us are actually using it and finding it valuable. And some companies are starting to strategically approach a question like this.

SOLUTION

Instead of building lending services that are for everyone, more and more lending players are choosing a more focused approach. Hyper-segmentation does not mean merely targeting specific segments through marketing communications – it entails building an entire offering based on the use-case and context of a particular user group.

Hyper-segmented offerings are winning over generic lending products in several ways: it is easier for such products to A) get access to relevant channels, B) construct messaging that directly addresses consumer problems and concerns and C) provide service conditions and terms that make more sense to the interested party.

IMPLICATIONS FOR BUSINESS

For a business, having a segmented offering or product is the easiest way of saying that we understand our clients. At the same time, building a product around a specific type of use requires to tailor the product, conditions and tools as well as content and messaging.

With a number of success cases of segmented offerings, most of the lending players will be encouraged to at least rethink their product portfolio.

IMPLICATIONS FOR CONSUMERS

With an ever-increasing choice of lending service providers, consumers become more active in questioning whether the service has been built with them in mind. Hyper-segmented offerings are creating an expectation to see lending products integrated directly into channels or at least closely tied-in with the consumers' end-goals.

It is also possible that consumer awareness of specialised providers will result in game-changing habits – clients will start looking for and selecting partners through the relevance created by specialisation and not just highest awareness in the market.

TREND CLUSTER 03
HYPERSEGMENTATION

01

CLIENT TYPES: CONSUMERS | BUSINESS

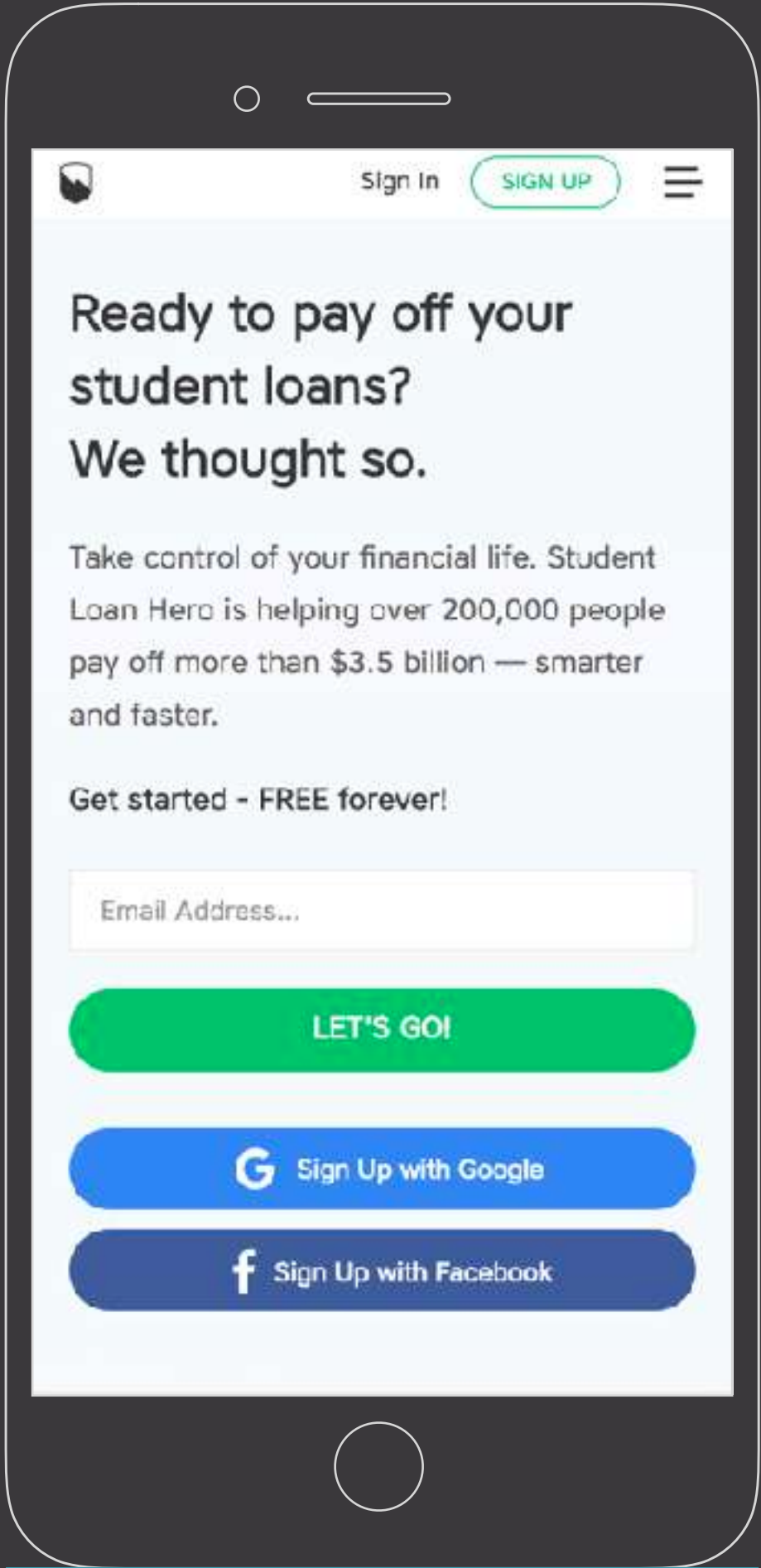
Services that are tailored to match the needs of a narrowly defined customer who is looking to achieve a specific set of goals.

CLIENT-TYPES:
01 CONSUMERS

Companies targeting specific need groups with different conditions, requirements and even product portfolios.



Alternative scoring
for farmers



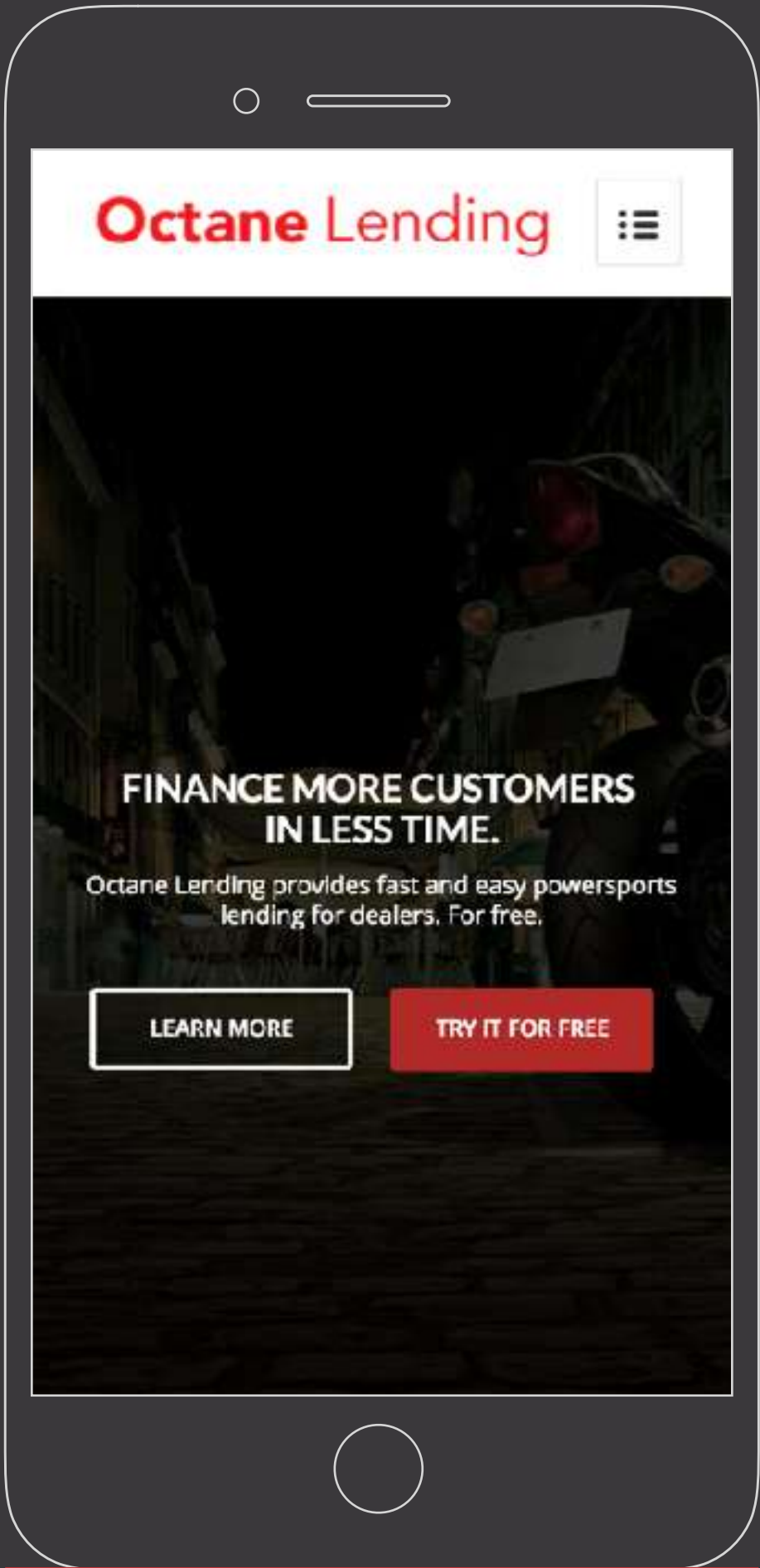
Focused on repaying
student loans



Financing for
underprivileged women

CLIENT-TYPES:
02 BUSINESS

An equivalent change is happening on the side of business lending – lending offerings are tailored to specific industries and business settings.



Financing for power sports

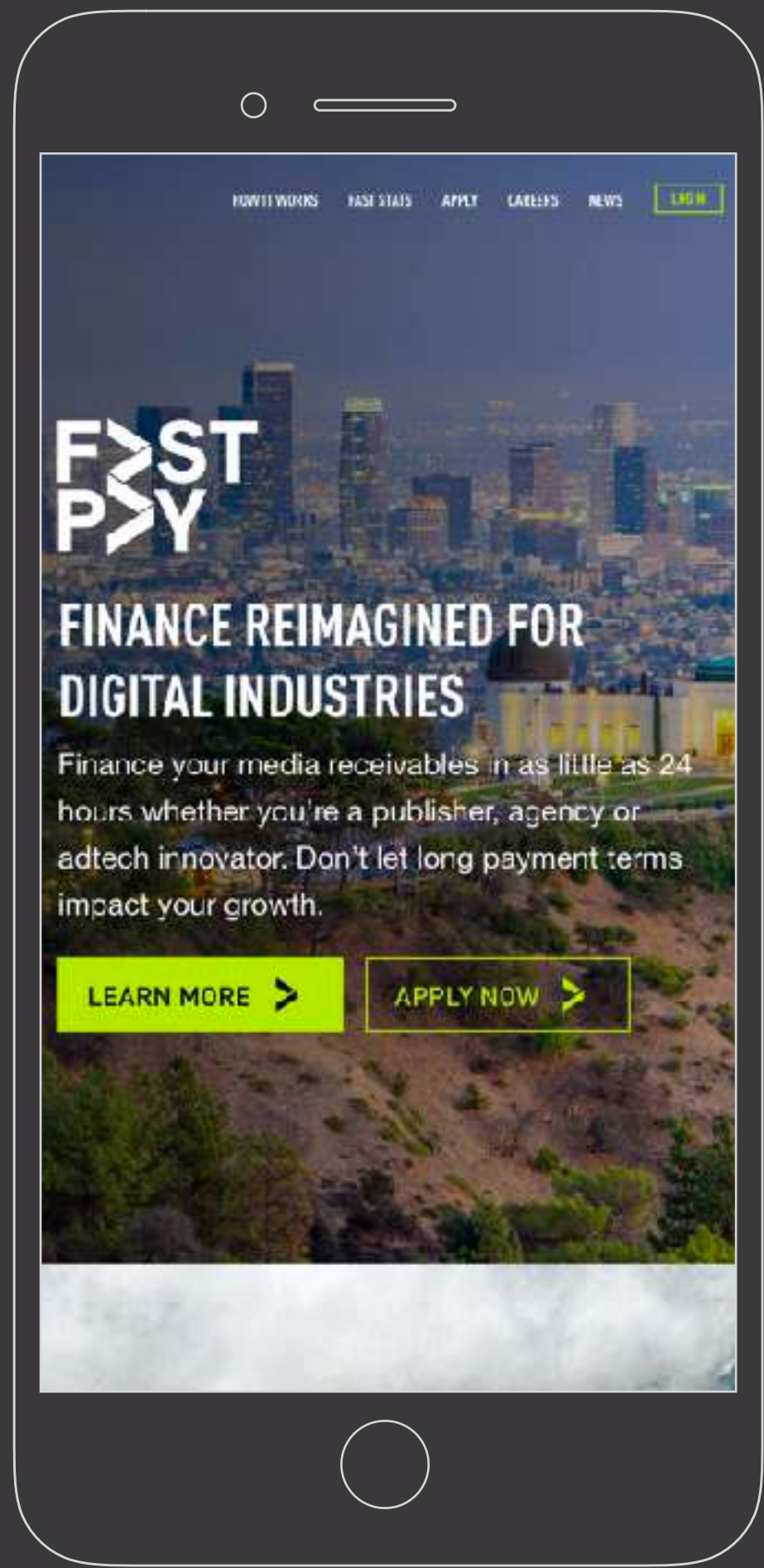


Franchise financing



Financing for retail business

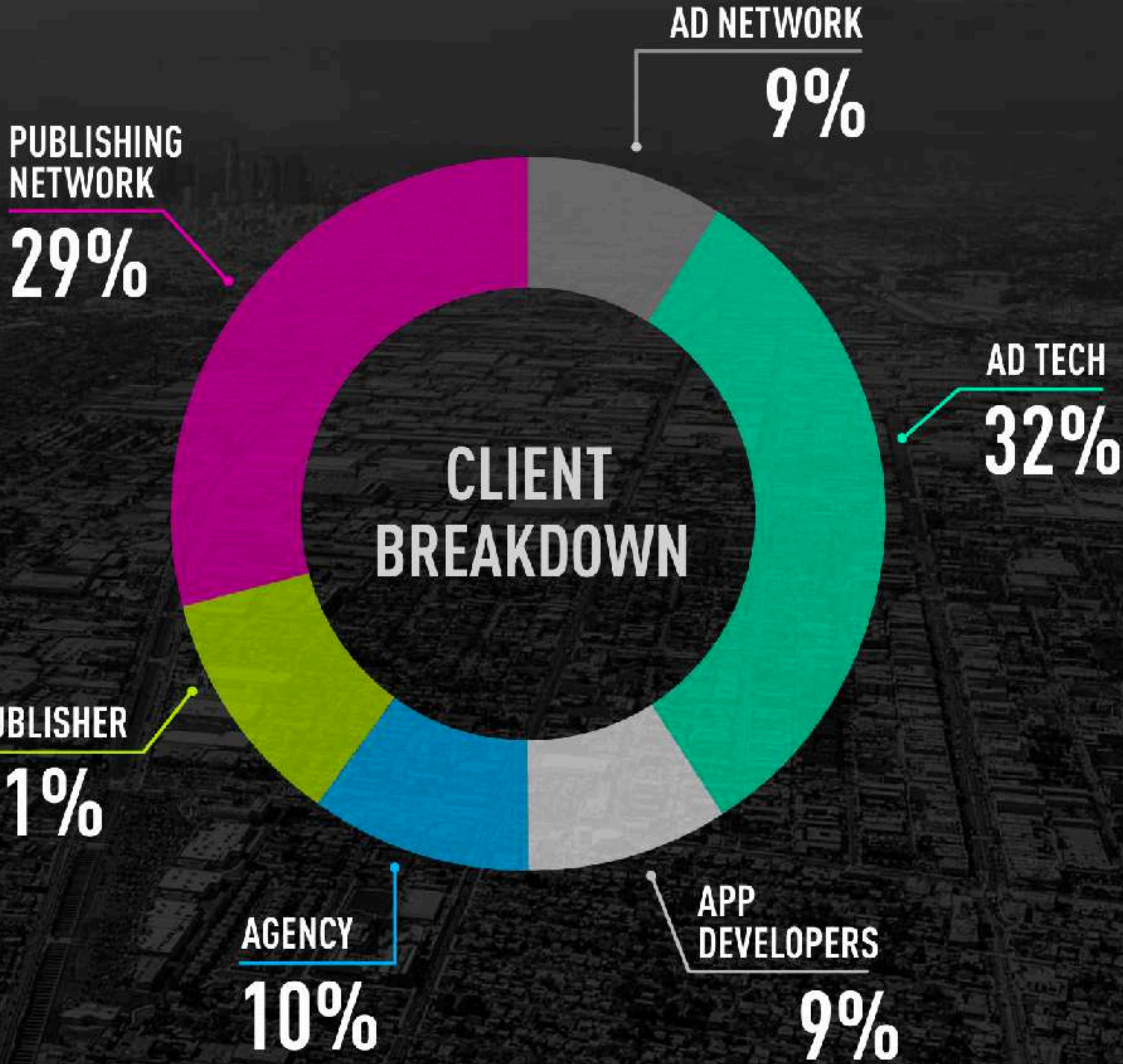
CLIENT-TYPES:
02 BUSINESS



FASTPAY

Lending for digital industries: digital ad business.

"Media vendors struggle with slow payment terms from advertisers and agencies, which often extend past 120 days. This creates working capital challenges for these vendors, which in turn forces them to delay payments to their own suppliers."



TREND CLUSTER 03
HYPERSEGMENTATION

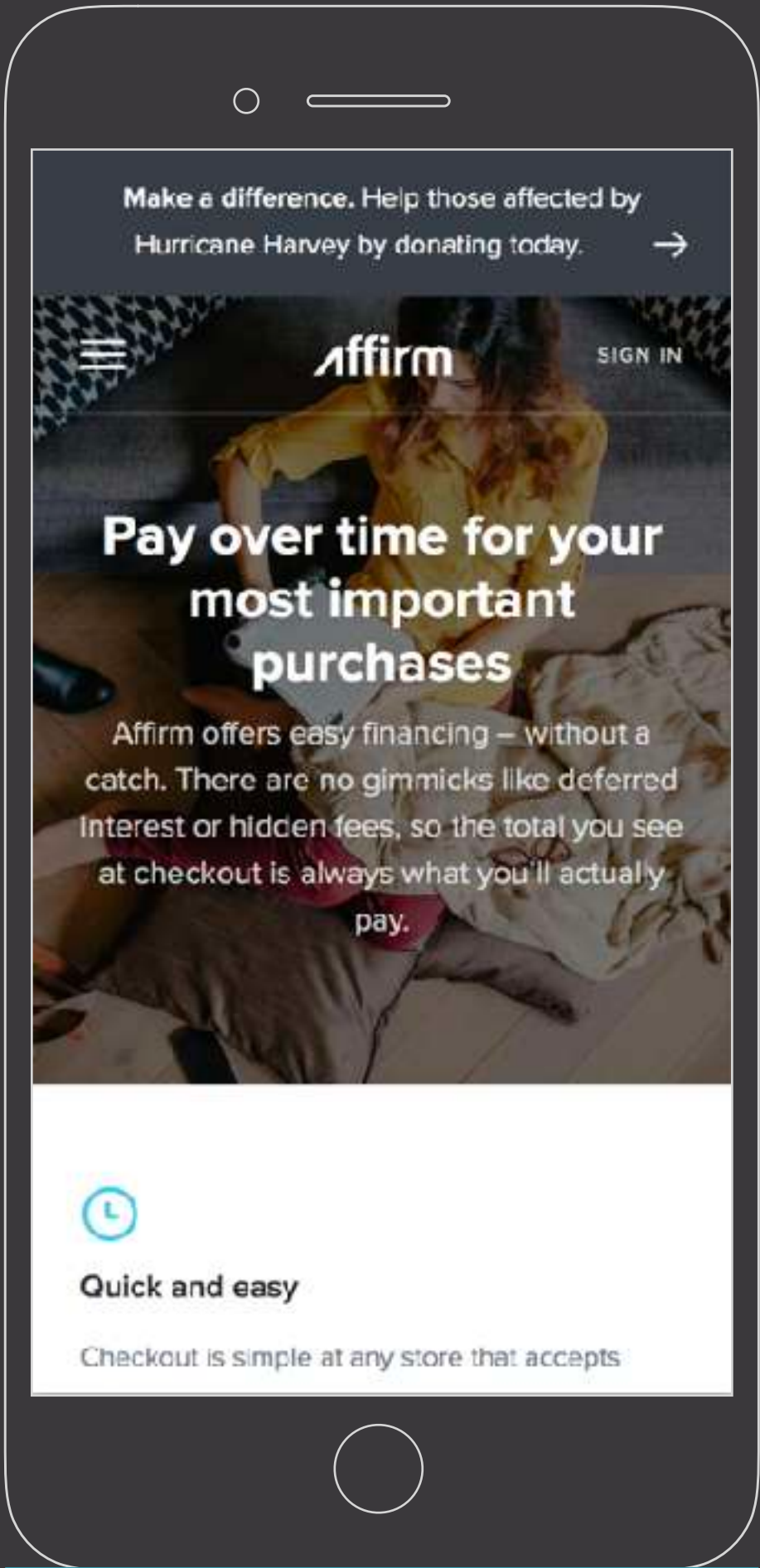
02

SITUATIONAL: ONLINE | MEDICAL | PAWN SHOPS

Situational segmentation works when a lending business is targeting clients based on use-cases and needs.

CLIENT-TYPES:
01 ONLINE

E-commerce purchase financing has become an entirely self-sufficient lending category.



Paying over-time for online purchases



Lending for shopping online



Student purchases and repayment

CLIENT-TYPES:
01 ONLINE



KLARNA

Extensive e-commerce partner list, including mainstream and high end retail: Nike, Marc Jacobs, Michael Kors and Theory.

You shop. So you
choose how to pay.



Pay Now

Pay directly at the checkout. No credit card numbers, no passwords, no worries.

Tell me more



Pay Later

Try it first, pay it later. Klarna lets you receive your order first, before deciding if you want to keep it or not.

Tell me more



Slice it

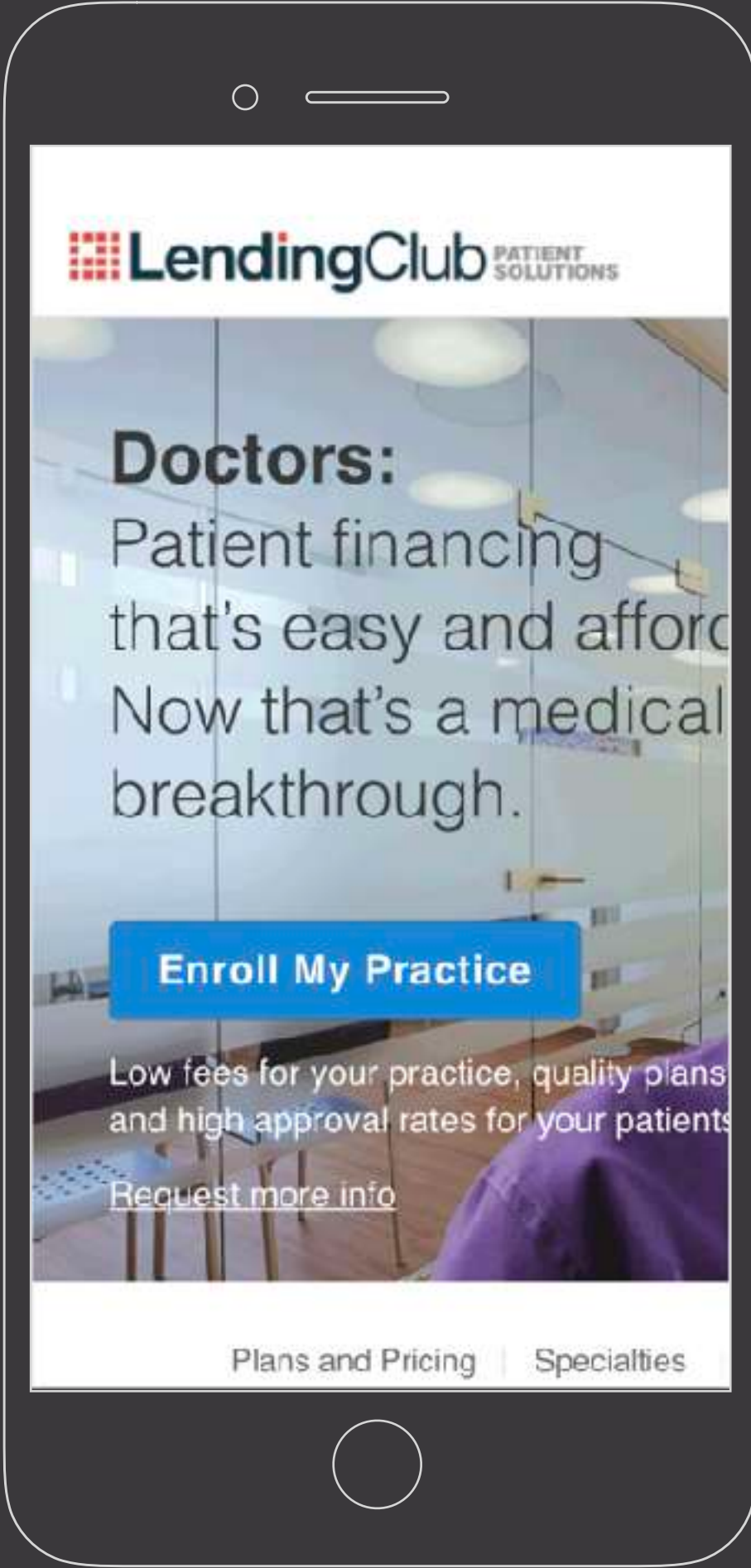
Slice up the payments on your purchase so that you don't wait to buy what you need now.

Tell me more



CLIENT-TYPES:
02 MEDICAL

Companies are creating specific offerings for health-related needs.



Patient financing

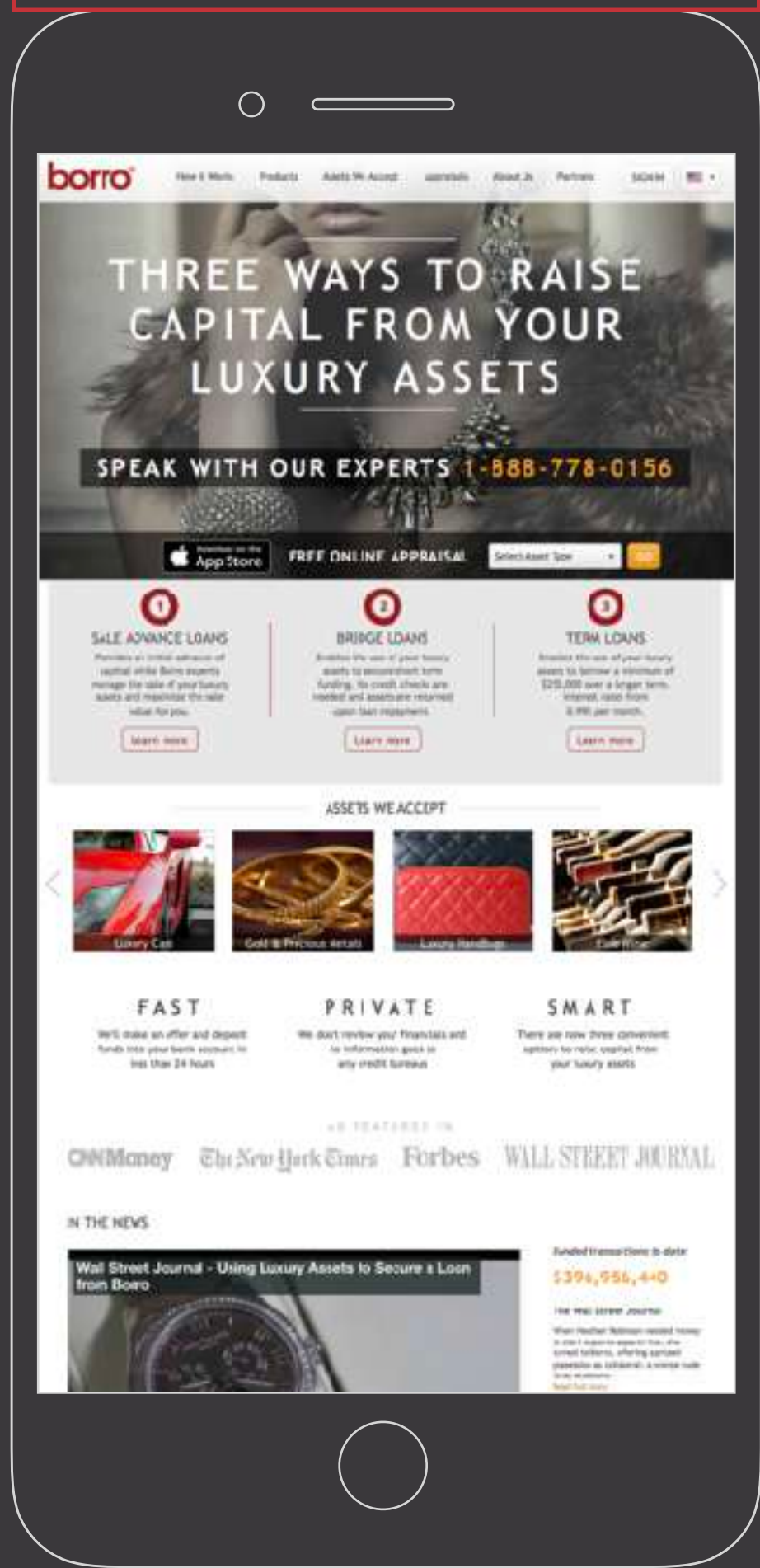


Medical bills

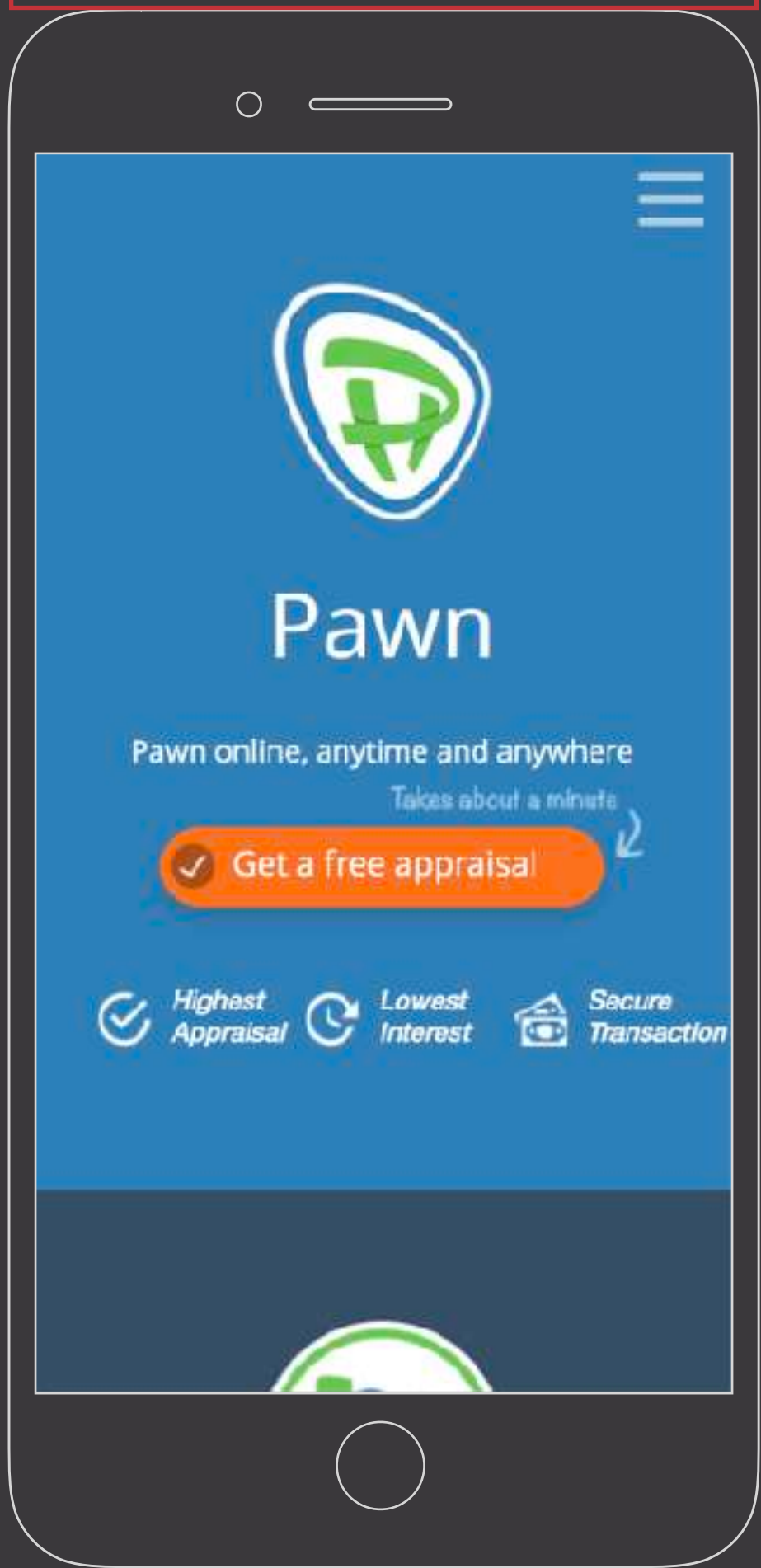
CLIENT-TYPES:
03 PAWNSHOPS

Companies are allowing to exchange goods for credit.

Enables the use of luxury assets to secure funding



Providing loans based on items offered for sale



TREND CLUSTER 03
HYPERSEGMENTATION

03

IDEOLOGICAL: ETHICAL

An entire new segment based on funding initiatives of ethical purpose is emerging.

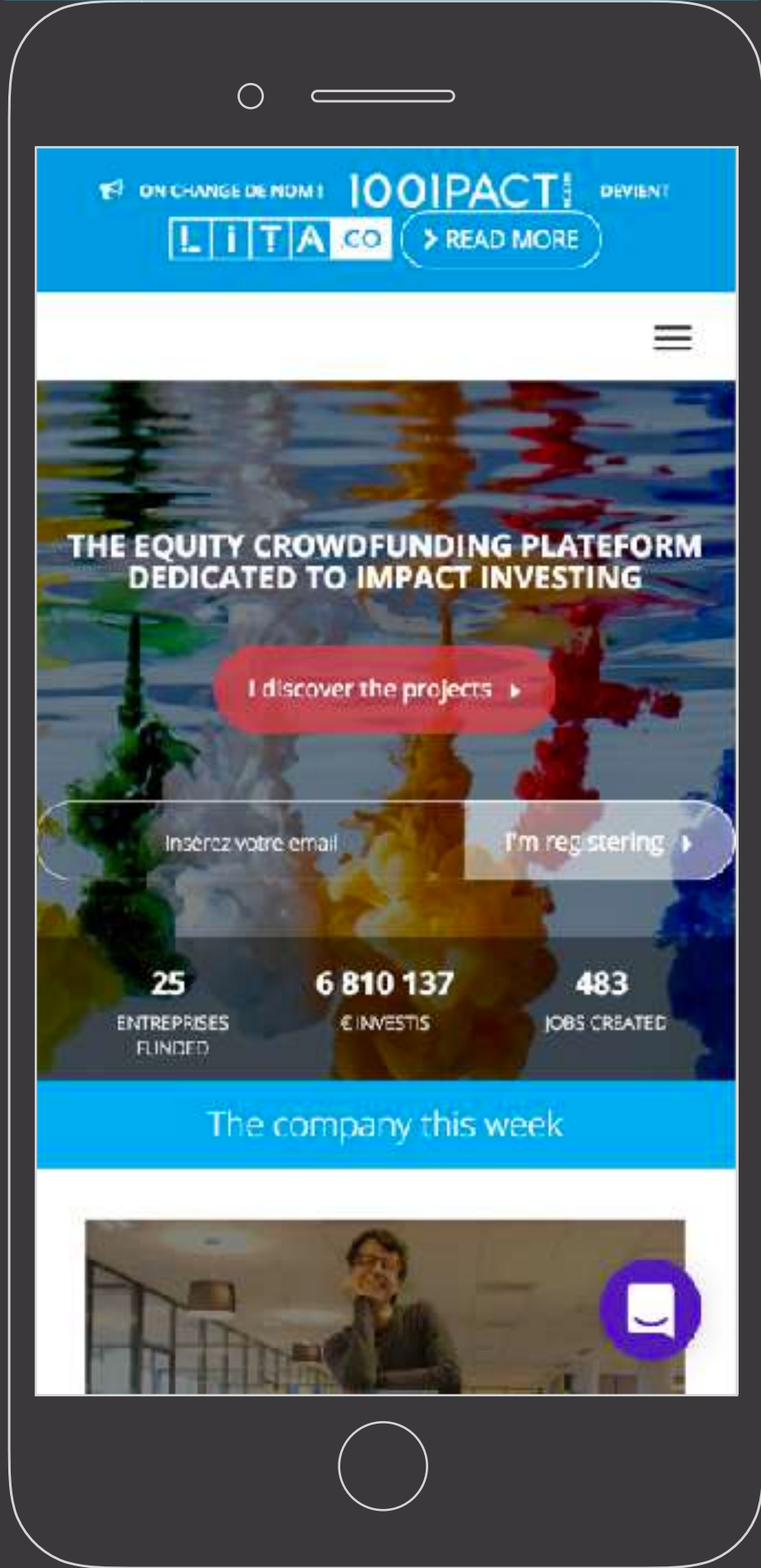
ETHICAL LENDING

Services that seek to provide added value outside financial terms.



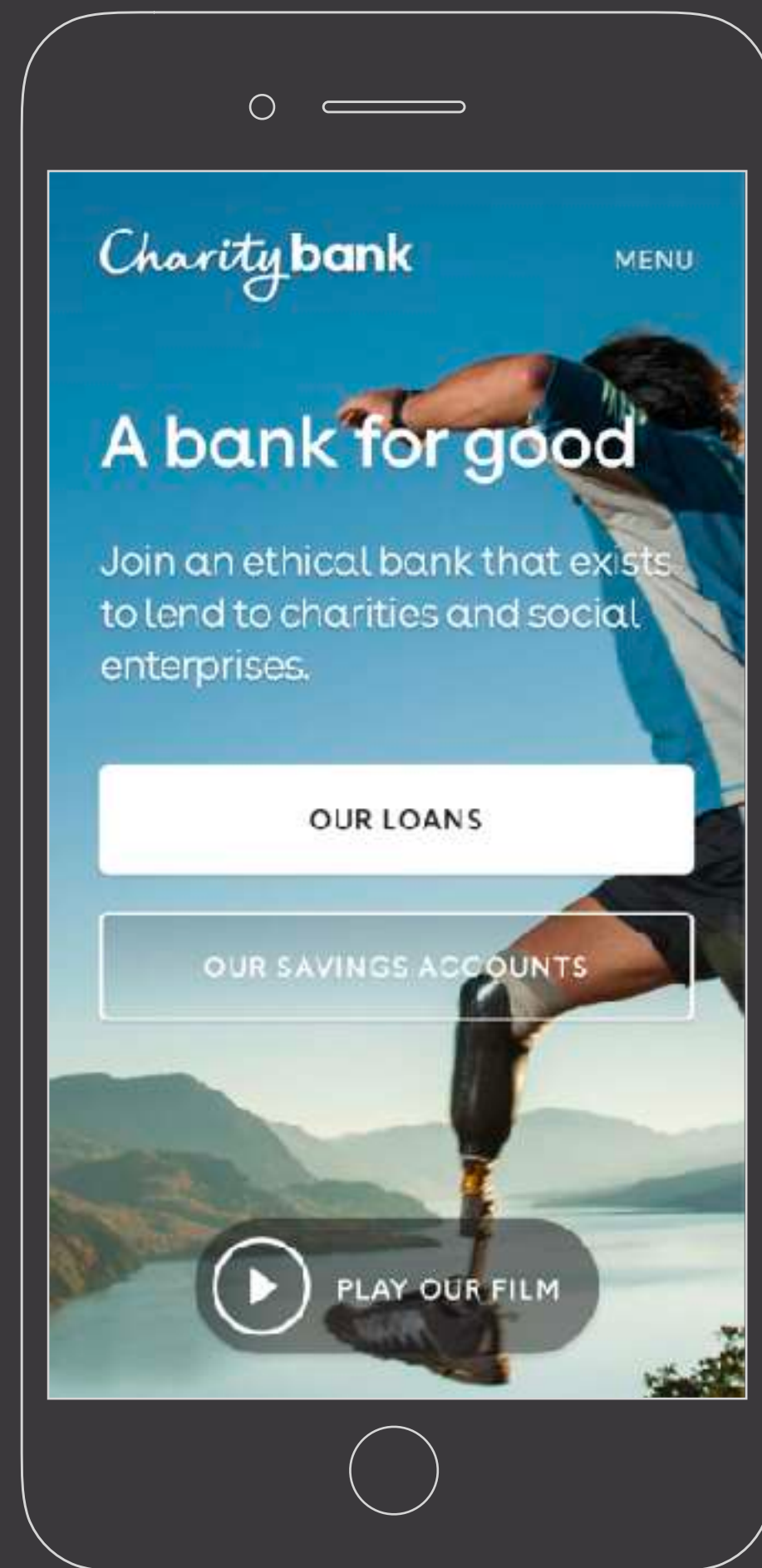
Loans for non-profits

Etchical P2P investments



Social development loans

ETHICAL LENDING



CHARITY BANK

Charity focused lending and investing.

Join a bank that shares your values



Loans: borrow to support your mission

You can borrow from a bank that understands your charitable goals as well as your finances. We lend to charities, social enterprises and organisations tackling social and environmental issues and shape our terms and repayment schedules around their needs.

We offer loans to small and large organisations from £50,000 to £3.25 million and more in partnership with other lenders.

TREND CLUSTER 03
HYPERSEGMENTATION

04

INFORMATION HUBS

With the increasing number of financing options in each market, there is an increased need for services enabling end-users to overview and select best suiting options or be directly guided to the best fitting one.

INFORMATION HUBS

01

02

03

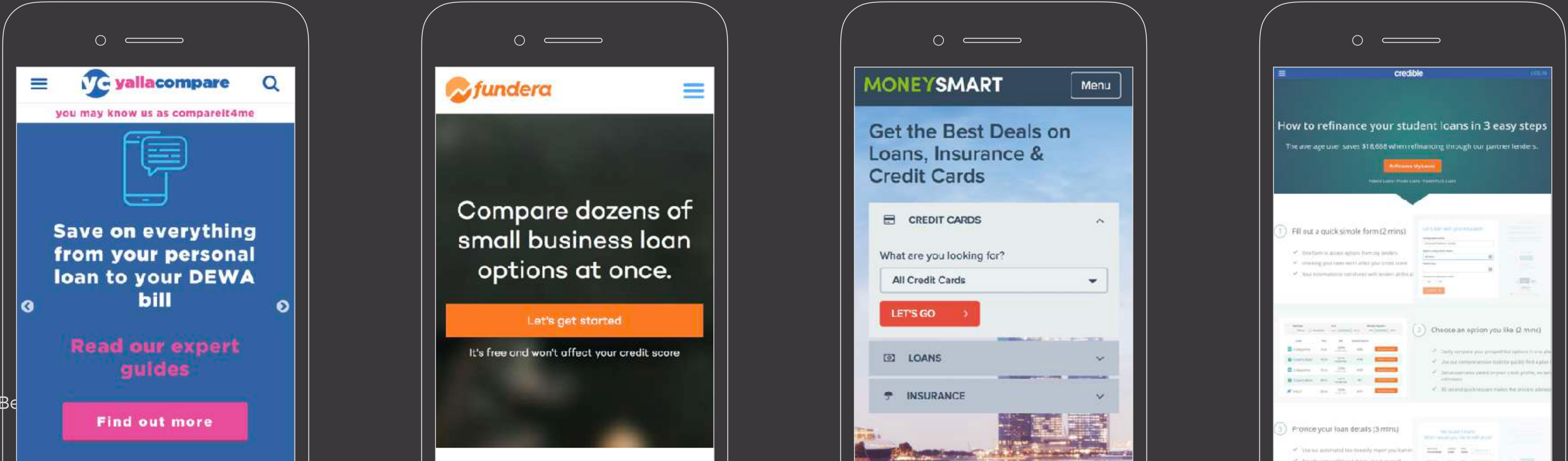
04

Category-based comparisons

Compare business loans

Content and product selection hub

Student loan comparisons



Every situation, channel or client goal is a new opportunity for the lending industry to create fresh value.

**TRADITIONAL
PROPOSITION**

Offering a general
product to the widest
demographic

**EMERGING
PROPOSITION**

Building business
around client
situations and goals

DEVELOPMENT TRAJECTORY

Traditionally segmentation in lending market has worked as a way of picking a consumer segment with a specific risk profile. Hyper-segmentation marks a move to more specific service targeting that accounts for different product use-cases, contexts and situations, particular groups of people that can be defined through a shared profession, goals or stage of life.

It is through hyper-segmentation that we are discovering entirely new untapped fields and sources of business. The developing segmentation practices mean that lending players are strategically approaching channels, partners and are becoming less reluctant to build products around a single entity or instance of use.

With the increased chances of biggest specialized digital platforms (from e-commerce to hospitality) offering their own lending products, hyper-segmentation seems more of a necessity than a mere niche strategy.

THE REALISATION

There are different types of need-states that the industry is serving, and that those needs go beyond the mere transaction:





GOING FORWARD

If we want to meet 2020
with certainty, we need to
ask ourselves these questions:

2020 GLOBAL LENDING INDUSTRY TRENDS

THE CHECKLIST FOR 2020

Do we favour immediacy of transaction
or cater for long-term relationships?

Does the service provide more meaning
and value beyond the transaction?

Do we understand our client better
than others? Can they feel it?

Do we create opportunities for new
client segments to approach us?

RESEARCH PARTNERS

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CONSULTING

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