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CIRCLE**

# BOUNCE-BACK BANKING

5 markers for success in delivering SME financial services



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**MagnaCarta**

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## Research Methodology

This whitepaper was developed using outcomes of an industry-wide survey and conversations conducted among financial institutions, service providers and FinTechs in Benelux, the Nordics, France, Germany, Ireland and the UK. The research was complemented by in-depth interviews with a variety of SMEs across these markets.

## Interviewees

**Karine Cheltiel,**  
Founder, Research to Business, France

**Philippe Rolle,**  
Deputy Director General, TAJAN, France

**Marko Wunderlich,**  
Co-CEO, TTI Magdeburg, Germany

**Sorcha Mulligan,**  
Founder, The SMEChain, Ireland

**Don Ginsel,**  
Founder & CEO, Holland FinTech, Netherlands

**Hongli Lai,**  
Founder & CTO, Phusion

**Selma Kveim,**  
CEO, Bright Products, Norway

**Kent Vorland,**  
CEO, SimplyPayMe, UK

**David Selves,**  
Owner & Founder, The London Grill Club, UK

**Marina Stimpel,**  
Founder, Fancy Trinken, Germany

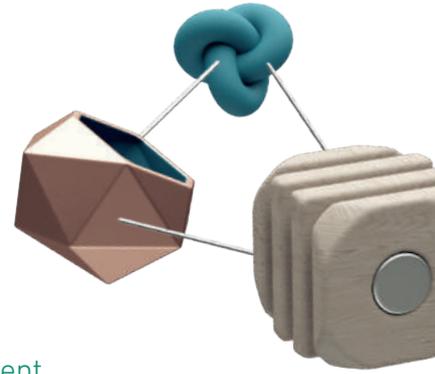
**Aleksandras Zubkovas,**  
CEO, Alobera Mediena, Lithuania

**Per Christian Goller,**  
Founder & CGO, Aprila Bank, Norway

**Julio Suarez,**  
Research Director, AFME (Association for Financial Markets in Europe)

Germany-based Market Research SME

# The future starts here.



Across Europe, SMEs account for two-thirds of all employment, and more than half of all gross value added (GVA)<sup>1</sup>. But the downturn as a result of COVID-19 has affected SMEs disproportionately, with 90% reporting a drop in turnover as a consequence of the pandemic<sup>2</sup>.

The crisis has reduced consumer spending dramatically, increased volatility and made it harder for smaller firms to access credit. Commodity prices have also risen sharply as supply chains have been disrupted. At the time of writing – and despite signs of a bounce-back – consensus forecasts predict a 8.3% contraction in overall economic activity across Europe for 2020<sup>3</sup>.

Given this predicted reduction in activity and pervading uncertainty, two-thirds of small firms across Europe have either delayed or reduced their investment decisions. The biggest risk for SMEs in the current environment is that their access to liquidity is reduced, with insolvency as a subsequent threat. Indeed, the OECD predicts that half of all European SMEs could face insolvency in the months ahead<sup>4</sup>.

As a result, the need to rethink the relationship between SMEs and their financial services providers has now become critical. Banking Circle has consistently argued that SMEs need to be better served; for decades, SMEs have been excluded from the quality and range of services available to large corporates. To support our calls, this year we have published two studies including an exploration of SME attitudes to financial services, and an examination of how banks and FinTechs approach digital transformation.

Our latest research into the attitudes of SME business leaders across Europe reveals a significant gap between their needs and expectations and the quality of advice and service they're receiving.

This report offers helpful insight for how banks and service providers can

equip themselves to meet SMEs' needs. These needs are so diverse that no one provider can meet them all. By sharing data and experiences, it's possible for banks and FinTechs to create a 'virtual circle of trust' in which SMEs have access to better financial services through their connections to multiple providers.

Making these connections will be of vital importance to the European and, indeed, global economies as we look to recover from the worst health crisis in a century, and one of the biggest economic shocks in history.

For the recovery to be significant and lasting, SMEs will need to play a central role. This report sets out how financial institutions can support small companies for a profitable, sustainable future in the next normal after COVID-19.

**Anders la Cour,**  
Co-founder and Chief Executive Officer,  
Banking Circle



<sup>1</sup> Statistics from the European Union: [https://ec.europa.eu/growth/smes\\_en](https://ec.europa.eu/growth/smes_en)

<sup>2</sup> Analysis from the OECD is available here: <http://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/>

<sup>3</sup> Analysis from the ECB is available here: [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_1269](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1269)

<sup>4</sup> Analysis from the OECD is available here: <http://www.oecd.org/coronavirus/policy-responses/coronavirus-covid-19-sme-policy-responses-04440101/>

# Introduction.

This report follows on from two studies we published earlier this year. 'Mind the Gap'<sup>5</sup> explored SME attitudes to banking and financial services. We also examined bank and FinTech approaches to re-building for the digital era in our 'Ready for the Re-Build' series<sup>6</sup>. In this paper, we set out a roadmap for improving SME financial inclusion based on in-depth interviews with SME founders from different European markets.

Europe's banks have often claimed that SMEs are expensive to service, and their needs too diverse. However, this research reveals concrete areas where new approaches could improve matters without significantly increasing the cost of servicing the SME segment.

SMEs are often unaware of what's currently on offer from banks and FinTechs, and lack either the time or tools to find out more. Clearly, new approaches need to be adopted both by SMEs and those looking to serve them. We have identified five milestone markers as steps to improving relationships and service delivery between SMEs and financial services providers:

## SERVICE

What are SMEs' expectations of service delivery? What are the best approaches? We suggest new delivery methods.

## PRICING

What pricing strategies and models will be most effective for SMEs? How can providers offer them a wider range of services profitably?

## CREDIT AND RISK MANAGEMENT

Accessing credit has always been challenging for SMEs. We examine innovative new approaches to risk management.

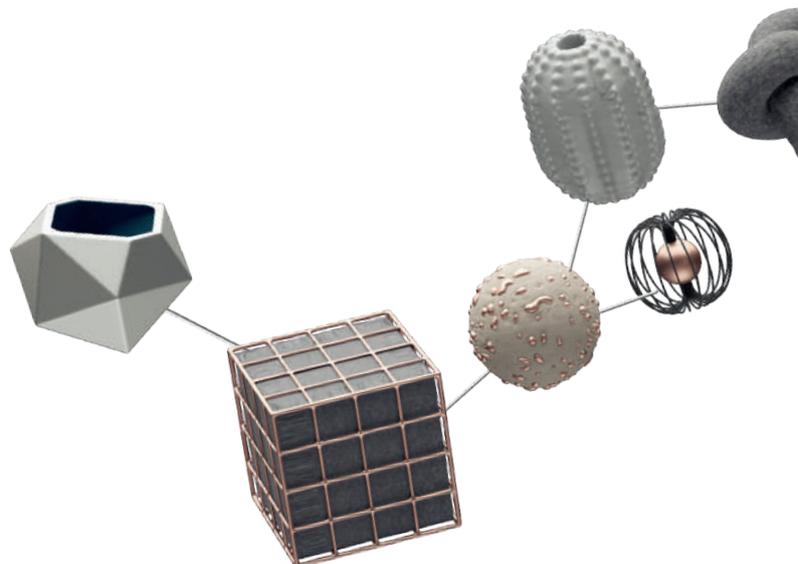
## TRUST

SMEs trust banks for core services, but find gaps when it comes to innovation and customer care. We propose effective ways to build trust with SMEs.

## ADVICE

Our study reveals quality advice is key to unlocking the SME market. But what methods can providers use to offer personalised advice in such a diverse landscape?

For each milestone we offer examples of where providers are already getting it right. We close with key take-aways for financial services firms looking to deliver for SMEs as the world recovers from the economic impact of COVID-19.



<sup>5</sup>See: <https://www.bankingcircle.com/wp-content/uploads/2020/05/Mind-the-Gap-white-paper-Banking-Circle.pdf>

<sup>6</sup>See: <https://www.bankingcircle.com/highlights-from-banking-circles-virtual-launch-event-for-the-nordic-region-ready-for-the-re-build-069351>

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# Service - How personal is personal?

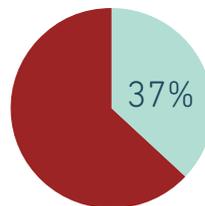
All the SMEs we interviewed find customer service a challenge. Banks deliver great service to SMEs at the level of core accounts – but outside that, most SMEs aren't happy with the service they're getting.

## The Industry Viewpoint:

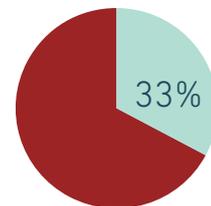
"Digital service was already the new norm. Now it's imperative."  
Juan Jiménez Zaballos, Santander



Almost half (48%) of SMEs said they've looked elsewhere for banking solutions that better suit their needs

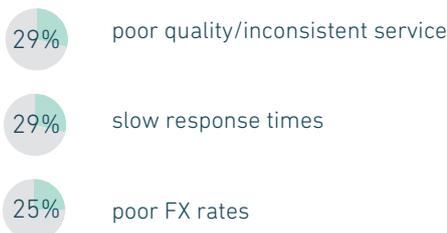


SMEs want lower interest rates (37%) and lower arrangement fees (33%)

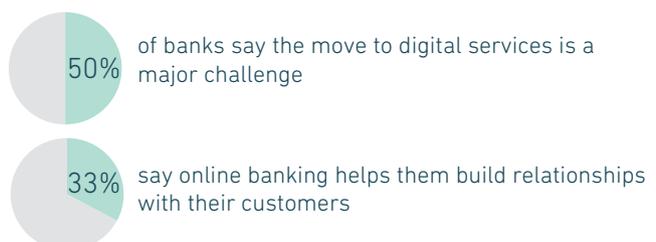


Nine in ten SMEs say they're happy with core account services but almost **one in four** experience customer service issues with their bank.

## Key problems include:



## Meanwhile, banks are finding it tough to adapt:



## Service - How personal is personal?

### The SME Viewpoint:

"I want to be able to pick up the phone and have a person and an email. We didn't have a contact with our last bank, so they lost us as a client."

Market Research SME, Germany

In our interviews for this paper, small firms often expressed a sense of being overlooked and given 'faceless' services. While SMEs may be looking for more personalisation, that doesn't have to mean regular face-to-face meetings. Often SMEs feel that banks may lack a creative edge in their approach to small firms. For Karine Cheltiel, Founder of boutique French market research firm Research to Business, banks "offer more administration than anything else... I'm very disappointed, [and] I'll switch banks when I see the person on the other end is not responsive."

This lack of a creative edge may be caused by bank relationship managers not having a full understanding of their SME clients' business. Cheltiel continues: "In the past, relationships have broken down because the banks don't understand what I am doing. I expect them to follow the development of my business."

### Delivery

The digital era has revolutionised the way banks approach SME clients. The old model of going to a branch, opening an account and then getting advice from an accountant isn't what today's SMEs are looking for. Banks are adapting to a new, widely diverse landscape in which personal contact is key, whether via email, phone, chatbot, Zoom or Skype.

Without great delivery, though, such adaptations and improvements by banks are only going to go so far. Our interviewees said tailored product suites are key to improving service delivery – however, Don Ginsel, CEO of Holland FinTech (Netherlands), wants banks to go further and become sources of tailored advice for SME clients. "Banks should act as a platform through which entrepreneurs can access knowledge and advice. By advising who to work with and how, banks can offer their clients a much larger playing field."

It's often said that SMEs are the lifeblood of any economy. Statistics claim there are more than 5.9 million small firms in the UK alone<sup>7</sup>. Given these numbers, any provider will wonder how they can deliver tailored, personalised services while growing their revenues and still make a profit. A model from China may provide an answer.

<sup>7</sup> See: <https://researchbriefings.files.parliament.uk/documents/SN06152/SN06152.pdf>

### Example: Ant Financial – a Model for the Future?

China's Ant Financial has onboarded more than half of the country's 11 million SMEs to their MyBank platform. This platform uses the client's online payment records to automatically assess their creditworthiness, with SME loan applications processed in less than three minutes.

Ant's MyBank recently developed a partnership with an established bank to serve small farmers, accessing the farmers' credit records through shared APIs and customer service records. This enabled MyBank to assess creditworthiness without face-to-face meetings and time-consuming applications.

### OUTCOMES:

SMEs are happy with a digital delivery model, but it should offer more bespoke services, lower cost and improved responsiveness.

Cost efficiency and faster response times can both be delivered through digital platforms and partnering with service providers- China's Ant Financial is showing the way.





# Pricing - It's not about the price. Think flexibly.

Traditional banks struggle to make money from SME relationships. But innovative approaches to pricing could help banks improve SME services and enhance their profitability.

## The Industry Viewpoint:

"Actions like moving to the cloud and going digital can add 30% to revenues and bring in 30% efficiency savings."

Panagiotis Kriaris, Paysafe Pay Later



85%

of European SMEs said they found money transfers 'expensive'



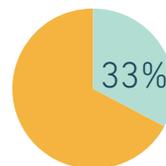
43%

of SMEs use settlement accounts in other countries



35%

use FinTech money transfer services like WorldFirst and TransferWise



Nearly a third (33%) want lower loan arrangement fees

### Other issues include:



37% want reduced interest rates



32% want more flexible repayment terms



31% want faster response to loan applications



One in five (22%) SMEs waited up to two months for loan application responses, with 25% waiting up to a month.



Two-thirds of banks believe they are keeping pace with technological change – but smaller companies are turning to alternative providers for faster, cheaper solutions

## Pricing - It's not about the price. Think flexibly.

### The SME Viewpoint:

"I'd like to see 'swap' type purchases for currencies. That way we could stabilise currency on deals 100 to 500K USD without having to keep and manage foreign currency ourselves. The USD increase against other currencies during Spring 2020 is a good example. Many SMEs lost money because the USD suddenly was very high, and if you had received payment before paying your suppliers, you could have lost substantial money on the currency fluctuation."

Selma Kveim, Bright Products, Norway

### Deal hunters

SMEs are actively hunting for better deals in money transfer, business loans and other areas. Some see low product innovation as an issue, coupled with an uncompetitive marketplace. Selma Kveim, CEO of Bright Products (Norway), a solar company with business in developing markets, says: "Any SME would like to focus on business development, not on currency, financing etc. We need products that are easy to use as well as competitive."

For Aleksandras Zubkovas, CEO of Alobera Mediena (Lithuania), a timber processing company, the absence of competition is a problem. "Lithuania's financial services sector is very centralised – we have no real competition." Zubkovas says the time money transfers take is as challenging as their cost: "Even when we use SEPA [Single European Payments Area] services, the money transfer market is crazy long. And if you're transferring US dollars to Russia, it takes far too long."

### Help me, dont sell me

SMEs are looking for quality advice alongside innovative new products that meet their needs. Marko Wunderlich, CEO of TTI Magdeburg, a German start-up accelerator, says: "If we could educate SMEs about how currency exchange with China and India works, that would be huge, [and] somehow smooth out exchange rate risk for SMEs."

Our interviewees also found the cost of securing loans problematic. Aleksandras Zubkovas explains: "For us, financing is like blood: we need funds to support our growth. We'd leave our current provider for lower interest rates and more substantial offers ... maybe digital platforms will provide better, cheaper solutions."

In the US and elsewhere, a new model is emerging which sees banks combine existing customer relationships with low-cost, innovative FinTech services.

### Example: Lower Prices through Platforms

Money transfer companies like WorldFirst and TransferWise have grown exponentially in recent years by offering cheaper, faster transactions. In lending, start-ups like Prosper and Lending Club have also experienced rapid growth. Recently, though, such firms have hit a speed-bump as fewer customers switch away from traditional banks, and established institutions hit back by offering multi-currency accounts.

In response, money transfer and loan FinTechs have reinvented themselves as platforms which banks can access on a 'white-label' basis. US-based SME loan specialist Kabbage now offers bank loans processing and access to non-traditional sources of underwriting data. Likewise, Sandbox offers banks the capacity to integrate third-party apps to enable faster, cheaper foreign exchange through bank customer channels. These are both examples of what Citigroup calls 'BankX'<sup>6</sup>, or platform-based banking. Accessing the speed and lower cost of FinTech solutions via a platform model helps banks better serve SMEs while maintaining profitability.

## OUTCOMES:

Some European SMEs are already turning away from banks in certain service areas, and more could follow. To remedy this situation, banks should think creatively about service provision, especially in areas like lending, credit and money transfer.

Partnering with specialist providers in a platform or white label arrangement reduces cost and enables tailored services through existing banks' digital channels.

<sup>6</sup>See: <https://www.citivelocity.com/citigps/bank-x-new-new-banks/>



# Credit/Risk Management – Staying Alive for SMEs.

Assessing credit risk for SMEs isn't easy. Inconsistent revenues and poor quality data make managing SME lending risk difficult. Meanwhile, small firms are growing frustrated with what they perceive as poor access to credit.

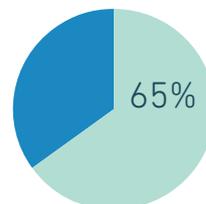
## The Industry Viewpoint:

"New, emerging providers are more agile and offer a better customer experience. They have flexible business models and are open to collaboration."

Elliott Limb, Mambu

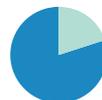


According to ECB data, 43% of Euro-area SMEs have experienced problems in meeting their financial commitments as a result of late payments <sup>7</sup>

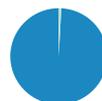


65% percent of small firms we interviewed tried to access lines of credit last year

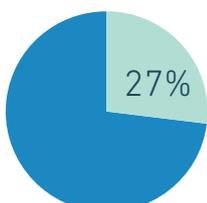
Smaller European firms use short-term loans (48%), overdrafts (49%) and special-purpose financing (49%). In the UK, 62% use overdrafts regularly.



20% said they were refused a loan owing to a short credit history



In contrast, just 1% of large enterprises are turned down for credit (ECB)



27% of small firms surveyed said they might lay off staff if they failed to secure credit



35% said a lack of credit could prevent equipment purchases



29% said it would stop them making new hires

<sup>7</sup>See the 2019 study from the ECB into SME access to finance here: [https://www.ecb.europa.eu/stats/ecb\\_surveys/safe/html/ecb.safe201911-57720ae65f.en.html#toc5](https://www.ecb.europa.eu/stats/ecb_surveys/safe/html/ecb.safe201911-57720ae65f.en.html#toc5)

## Credit/Risk Management – Staying Alive for SMEs.

### The SME Viewpoint:

“Compared with the US, there’s a real culture of risk aversion in Europe. When we’ve approached banks, they want some guarantee that we’ll pay back the loan no matter what.”

Hongli Lai, Phusion, Netherlands

Leaders of small firms were as critical of the SME approach to credit as they were of banks’ lending criteria. Marko Wunderlich, CEO of TTI Magdeburg, noted that “Most SMEs have no idea how to approach banks ... they are quite innovative, but overly traditional in their approach to banking.” For Wunderlich, SMEs lack understanding of alternatives to basic solutions – as he puts it, “The current situation blocks innovation by making financing a challenge.”

### Payback time?

Wunderlich’s views are echoed across the continent. Philippe Rolle, Deputy CEO of French auction house TAJAN, confirms “Securing credit for French SMEs is quite a challenge ... French banks are always looking for a lot of guarantees.” Hongli Lai, Co-founder of Phusion in the Netherlands, sums the matter up: “Compared with the US, there’s a real culture of risk aversion in Europe. When we’ve approached banks, they seem to want some guarantee that we’ll pay back the loan no matter what.”

Credit applications from SMEs are more likely to be turned down than similar applications from major firms. And when credit is granted, the conditions are likely to discourage further investment. As David Selves, CEO of The London Grill Club (UK) puts it: “Good SMEs pay the price for bad ones, because the market has so little understanding of how SMEs operate.”

It’s clear we need new approaches – and innovative smaller firms in the UK and Norway are showing the way forward.

### Example: Cardstream

Cardstream is a UK-based independent payment solutions provider with more than 200 commercial partners, each providing payment services to thousands of SME merchants with commercial lending needs.

Cardstream partnered with Banking Circle to pioneer a joint white label lending solution which gave merchants access to affordable, flexible business loans through Banking Circle’s Cash Advance and Instant Settlement products. Since Cardstream launched Banking Circle Lending, more than £1.5 million has been advanced in loans. Cardstream’s partners do not carry any risk on these loans, which can be arranged in a matter of hours rather than the usual days or weeks.

### Example: Aprila Bank

Aprila is a boutique Norwegian bank built to serve SMEs and their specific challenges. The company has grown by 50% each quarter this year to reach 2,300 SME customers to date – and is targeting 3,500 customers by year end.

Per Christian Goller, Founder & CGO, says Aprila’s success comes down to some simple factors, such as targeting a previously unserved market: “70% of our customers had no access to financing before they joined us, so we’re creating a whole new market. For the first time, these companies can get financing without having to put up personal assets like homes as collateral.”

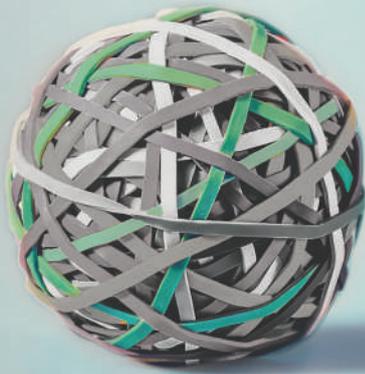
By doing away with time-consuming manual paper processes and accessing SMEs’ accounting systems for credit risk purposes, Aprila is able to give quicker credit decisions – and take more risk thanks to richer data. Following rapid growth this year, Aprila is targeting a return to pre-COVID-19 levels of lending, and is considering entering other markets in 2021.

## OUTCOMES:

Banks should try to address the inequity SMEs claim they face when seeking credit compared to big companies.

They can achieve this through better risk scoring systems. Interoperable APIs now make it possible to access SME’s financial information directly.

Fast-growing new providers are emerging, focused specifically on SMEs’ credit needs.

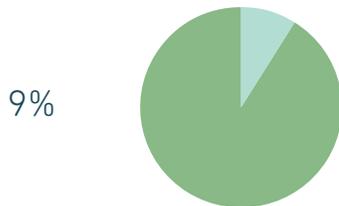


# Trust - The (in)flexible friend.

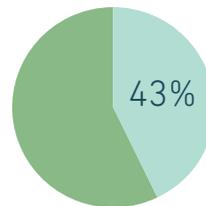
Beyond the basic banking relationship, SMEs feel banks don't always understand their needs. A blended digital/personal approach could help to build trust.

## The Industry Viewpoint:

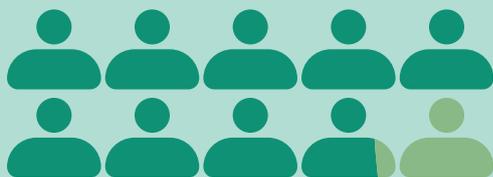
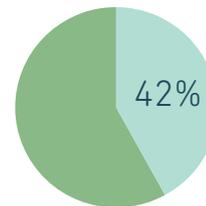
"The firms that survive or come out of this the strongest will be those offering a digital-human mix."  
Juan Jiménez Zaballos, Santander



The UK reported the highest proportion of dissatisfied SMEs, at 9%



43% of dissatisfied SMEs felt they did not matter to their bank. Alongside high fees (42%), SMEs said poor quality service and low responsiveness reduced their confidence in their bank



Nearly nine in ten (87%) SMEs said they were content with their current bank.

## Banks recognise the importance of good customer experience in building trust:



9 in 10 said this was more important than financial stability



70% agree strong customer trust helps protect them against new competitors



27% believed there has been an erosion of bank customers' trust in recent years

## Trust - The (in)flexible friend.

### The SME Viewpoint:

“There seem to be very few tailored features or services for the SME market. By focusing more on the customer and their pain points, and less on procedural box ticking, a lot more could be achieved.”  
Kent Vorland, SimplyPayMe, UK

SMEs expressed some frustrations with what they perceive as a process-led approach on the part of banks, as well as their view of banks’ overly-systematised attitude to customer service. As one anonymous German SME leader puts it, “why do I still have to sign things manually when all the documentation is electronic and meetings are virtual?”

Interviewees do not believe digital banks represent an improvement over established providers. Marina Stimpel, Founder of Germany’s Fancy Trinken, a manufacturer of drinking bottles and flasks, wants “a bank that’s flexible ... I just want to go online and check out what’s on offer.” However, she still appreciates the “nice old model of face-to-face banking [but] that doesn’t exist any more.” Kent Vorland, CEO of UK-based SimplyPayMe, goes further: “Unfortunately, in the many years we’ve been with our bank, we have not seen much effort from them to cater to our needs as an SME. There seems to be a lack of investment and infrastructure when it comes to business banking, with very little in the way of tailored features or services for this market. What’s more, there seems to be no desire or drive from decision makers in banks to change that. By focusing more on the customer and their pain points, and less on procedural box ticking, a lot more could be achieved.”

### Sole trader, not sole provider

Philippe Rolle of France’s Tajan sums up the gulf between satisfaction with the core account relationship and unhappiness with wider services when he says, “our relationship with our bank is really good – however we should, perhaps, consider two or three different partners to support our development.”

For Don Ginsel of Holland FinTech, trust is built by offering great advice – and if today’s financial providers can’t measure up, other platforms might fill the gap: “There are tech platforms which currently offer accounting, administrative and legal services, adjacent to financial services. It’s possible that these could evolve into platforms offering their clients a wider range of services, including financial services.”

To be successful, banks’ digital platforms should look to be both flexible and personal in their approach. A fast-growing Canadian personal finance platform is showing the way.

### Example: Wealthsimple

Personal investing is arguably where trust matters most of all. To grow your hard-earned savings, you need confidence in your advisers. Traditionally dominated by five big banks and a handful of insurance companies, Canada’s finance sector has been challenged by ‘robo-advisers’ like Wealthsimple – online companies offering tiered, flexible services, lower fees and personal advice.

Wealthsimple’s model offers access to three tiers of service with fees at around 25% of standard bank pricing. As clients’ portfolios grow, they gain access to an increasingly sophisticated suite of personal services. Investors with portfolios above C\$100,000 (Euro 64,000) have access to a personal advisor; at C\$500,000 (Euro 320,000), investors get their own investment manager and regular online meetings. As one reviewer puts it, “Wealthsimple are renowned for their user-friendly platform, cost-friendly investing options, flexibility and approachability.”

## OUTCOMES:

To win SME trust, banks should seek to combine digital delivery with tiered, personalised services and the human touch.

New advice platforms are emerging in the HR and Legal sectors which could rapidly evolve into banking and financial services.



# Advice – Who do you turn to?

SMEs value quality advice over stability – but how do banks achieve this level of individual service while remaining profitable?

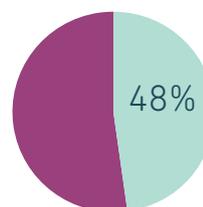
## The Industry Viewpoint:

“The best chance to succeed is an extended channel where clients and banks can interact, making sure that customer experience is high, and the process is efficient.”

Paul Le, ING



of banks believe they're well equipped to respond to industry challenges, suggesting some complacency



of SMEs now look elsewhere for some banking services, banks must deliver value-add advice as part of their offering, or face disintermediation

## The SME Viewpoint:

“Companies like ours are willing to pay for better advice. The only place we can go for advice is our auditors – but they're not financial product specialists. There's huge potential for banks to make SME advice a paid-for service.”

Selma Kveim, Bright Products, Norway

A third of the entrepreneurs said they would pay for advice, particularly in planning for annual tax documentation. They would be comfortable if this were partially automated – but right now it's not available. As Karine Cheltiel of France's Research to Business puts it, “I would prefer more tailored advice from my bank – right now, they're too systematic in their sales approach.” Hongli Lai, CEO of Phusion (Netherlands), agrees: “At the moment, I'm going to start-up accelerators and government websites for advice, since I can't find it elsewhere.”

As a new provider of SME loans, Norwegian challenger bank Aprila is aware of the importance of great advice. Although they're expanding both organically and through partnerships, the bank is careful to maintain excellent customer communication, as CEO Per Christian Goller says: “We're quite active in terms of communicating with end customers.”

## Advice – Who do you turn to?

Some experts we spoke to noted simple steps financial firms could take to improve the situation. Sorcha Mulligan, CEO of Irish SME adviser, The SMEChain, claims bank economists “are fixated on data and facts, instead of getting to know entrepreneurs. Maybe that talent could be redeployed in building relationships with SMEs.”

One factor behind the poor availability of advice is the pace of change. The technological revolution has moved so fast, and the economic outlook is now so fluid, that many banks are unsure of where to deploy resources. Don Ginsel, CEO of Holland FinTech, says “The required specialisation in technology makes the required talent and expertise hard to find and keep. Companies could end up having to pay external staffing or consultants to fill the gap, which may get expensive.”

One Dutch company is showing the way, combining a digital presence with great technology and the personal service European SMEs are looking for.

### Example: Sparkholder

Lending start-up Sparkholder, based in the north Holland town of Amstelveen, aims to deliver a customised set of lending options to prospective SME clients within two business days of the prospect’s first contact – compared to the usual week or more. The company demonstrates its flexibility by using the strapline, “Lending in many flavours” and immediately invites prospective clients to start a conversation by email, rather than filling out a form.

Once Sparkholder’s prospect has reviewed their first set of options, an adviser guides them through the application process for their chosen loan, with the applicant sharing relevant financial information via secure channels. On receipt of the application and relevant data, Sparkholder promises a decision within days using LoanStreet, its proprietary risk engine.

## OUTCOMES:

Banks should consider offering paid-for advice, as part of their services.

Starting from the digital platform and partnership model, providers can take things further, adding a layer of personalised advice via email and/or voice to the mix.

Doing so will dramatically improve their relationships with SMEs – as well as revenues and profitability.

# Summary of outcomes.

Below we've summarised key outcomes for each of the five key milestones that financial service providers should consider when looking to improve their service for SMEs:



## SERVICE

SMEs are happy with a digital delivery model – but it must offer more bespoke services, lower cost and improved responsiveness.

Cost efficiency and faster response times can be delivered through digital platforms and partnering with service providers – China's Ant Financial is showing the way.



## PRICING

Some European SMEs are already turning away from banks in certain service areas, and more could follow. To remedy this situation, banks should think creatively about service provision, especially in areas like lending, credit and money transfer.

Partnering with specialist providers in a platform or white label arrangement reduces cost and enables tailored services through existing banks' digital channels.



## CREDIT AND RISK MANAGEMENT

Banks should try to address the inequity SMEs claim they face when seeking credit compared to big companies.

They can achieve this through better risk scoring systems. Interoperable APIs now make it possible to access SMEs' financial information directly.

Fast-growing new providers are emerging, focused specifically on SMEs' credit needs.



## TRUST

To win SME trust, banks should seek to combine digital delivery with tiered, personalised services and the human touch.

New advice platforms are emerging in the HR and Legal sectors which could rapidly evolve into banking and financial services.

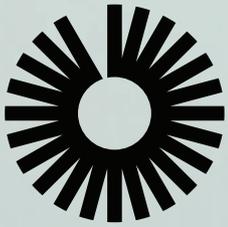


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**BANKING  
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## About Banking Circle

A fully licensed bank, Banking Circle is a next-generation provider of mission-critical financial services infrastructure leading the rise of a super-correspondent banking network.

Banking Circle gives Banks and Payments businesses access to a range of banking services – multi-currency bank accounts, local clearing, cross border payments and flexible business lending – compliantly and securely, without the need to build their own infrastructure and correspondent banking partner network.

Bespoke, flexible, scalable and future-proofed solutions enable financial services businesses to do what they're really good at – serving the end client successfully and efficiently – thereby allowing them to seize market opportunities.

Bypass old, bureaucratic and expensive systems and enable global banking services for your clients.

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