

A Level Playing Field for SMEs

“Platform technology makes it possible to deliver the compliance, credit analytics, insurance and finance tools to trading companies of any size so that they can compete successfully and win business based on their inherent strengths.”

The Problem

Small and medium size enterprises (SME) face many disadvantages when competing with larger firms. A crucial one is not being served properly by data providers, credit insurers and trade financiers.

The lack of interest from these service providers is understandable: the high fixed costs of customer acquisition, Know Your Customer (KYC) checks, ensuring applications arrive complete and relationship management can make smaller, infrequent transactions unprofitable. Which has the effect of freezing out the average SME, however good, desirable or competitive its products or services might be.

This in turn reduces customer choice and creates the conditions for oligopoly, both of which are bad for the consumer. Most governments and trade agencies recognise this but prefer the marketplace to sort it out.

SMEs, Data and Financial Services

The key financial products essential for trade – loans and credit insurance - are mostly supplied by large, global firms although that is changing as barriers to entry are lowered by technology (e.g. P2P business loans). Lenders and insurers rely on data and the big data vendors (Experian, Equifax, Graydon and Creditsafe) prefer high volume customers. They don't care whether turnover is generated by one large buyer or aggregated for 100 small ones provided they can sell data in volume to generate higher revenue and so cover high fixed costs.

The problem for SMEs is that to compete with their bigger brethren, they need data at the lowest possible cost and as part of a structured process to analyse risk and make applications for finance and credit insurance but can't *individually* meet the volume requirement nor afford customised transaction management solutions.

For centuries, small businesses in the UK operated as 'guilds' (trade associations) undertaking centralised, bulk buying, sharing expertise, training and supply chains in order to be stronger and benefit from economies of scale. The good news is that there is a modern equivalent: trading platforms can enable all firms, including SMEs, to *act as a group* in order to access data, risk management and other essential tools on a "pay-as-you-go, use-when-you-need-it" basis. This 'democratisation' empowers the SME and so levels the playing field.

Data and Efficiency

Compliance data and business reports are essential for decision making. Vendors offer this through web interfaces which are cumbersome to use with data arriving in an unstructured way (e.g. pdf, arriving via email to desktops) and with no integration with user-oriented applications. This makes data harder to use when creating applications to credit insurers and lenders.

Another inefficiency stems from the fact that a sale and purchase transaction with deferred payment and requiring credit insurance has as many as four actors all of whom require the very same

compliance checks and business credit reports. This often means that buyer, seller, lender and insured, are needlessly paying for the same data within one transaction.

Not being able to share compliance results among traders creates a further inefficiency: if each of 10 traders bought data on all 9 counterparties at a cost of £10, the total spend would be £900 (90 pairings). However, if they acted as a group and shared the data, the cost would fall to £100, a saving of £800. Now increase the number of firms by a factor of 100 and it is clear that the savings grow exponentially. Which, in the UK, is the logic behind having a Companies House, a Land Registry and a Driver and Vehicle Licensing Authority.

The Ideal Solution

Fintech is no longer only about P2P lending. The sector has matured with hundreds of agile, highly-focused firms offering specific products and services for SME trade at low cost. It is now possible to integrate multiple business-critical services (e.g. compliance, business reports, credit insurance and funding) into a 'full stack' service designed for the trading firm and delivered from a web browser.

The list of features needs to include:

- Find counterparty
- Ensure compliance
- Access credit report
- Close Trade
- Agree Invoice
- Insure non-payment risk
- Obtain funding

The service should be structured as an open 'marketplace' with shared data and supported by insurers and lenders. It should be hosted on a secure server with a well-designed user experience. It should be affordable by *any* company, irrespective of size.

The time of the SME competing on a level playing field may just have arrived.



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EXIM.L operates a member-only platform (Tradehub 365) for trading firms who buy, sell or extend credit. A 'marketplace' and trading hub for firms to access data, insurance and finance resources which global firms take for granted. Larger companies, lenders and trade associations can use the platform under license to manage supply chains and distributors with substantial cost and efficiency gains.