

PUBLIC PROJECT SUMMARY

Market Analysis to Support a Mobile-First Lending Solution's
International Expansion

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1 Introduction

Financial institutions face many challenges in the current macro-economic environment especially as challenger banks enter the financial retail, SME but also large corporate segments. The main issue - but also opportunity - banks try to overcome is the rapid digitization and customization of the segment. Yet, in-house development requires high ongoing expenditures and the execution of a project like that is also time costly. This way it can be stated that financial institutions are lagging behind digitalisation, they seek an integrated solution in their already existing banking infrastructure, and they are ready to enter partnerships in this ecosystem. This solution should be easily available with features which attract customers but should also fulfil regulatory requirements such as the identification and collection of various data from the end users, the establishment of credit rating of the loan applicants and the validation of the signature on the contract signed by the customer but also the monitoring of the client's profile upon credit application approval. This challenge of the financial institutions is observable in every segment of their operations such as asset management, onboarding processes or loan applications.

1.1 The Client

The client delivers solutions to these issues by providing high quality customer journey processes which can be integrated into the digital banking processes. This is possible as the company is setting its focus on technology whereby the team has advanced UX and banking expertise. The company is actively providing several solutions for the financial industry.

1.2 Aims and scope of the project

The Client would like to expand its operation with a specific product in new regions for which the market and partnership assessment is indispensable.

The main purpose of the project was the evaluation of potential markets of entry, the detection of future partners and competitors in 2-3 countries. The reason behind the relevancy of partnerships are the regulatory requirements in the banking industry. Furthermore, the establishment of partnerships has strategic purposes. Due to the previously mentioned reasons the Client is looking for countries - in which the international expansion has the best potential - and partners which enable the execution of procedures online without having a negative impact on the user experience.

Based on the described key problems the desired outcome of this project was a presentation with a summary of the market research and the reasoning behind the selection of the country with the highest potential for expansion. Furthermore, the list of potential partners - based on several requirements – was expected. In addition to that the brief comparison of the service providers was presented.

2 Quantitative Assessment of the Markets

The main part of the project was dedicated to the detection and evaluation of potential markets of entry for the Flint application and the detection of potential partners internationally. Firstly, brief explanation on the regional restriction was introduced. This was necessary as closely evaluating numerous, different countries is out of the scope of the project. Upon this preliminary chapter the quantitative analysis was exploited by the description of the various elements of the key market indicators in detail, by the explanation of the normalisation method for the scoring system and by the presentation of the results. The main indicators for the analysis are presented below:

2.1 The Market

- Size of consumer loan market
- 2- years Historical Growth Rate of the consumer loan market
- 2- years Future Growth Rate of the consumer loan market
- Number of Banks

2.2 Digitalization

- Online Banking Penetration
- eServices

2.3 Policy Environment and Market Stability

- Ease of doing business index
- Country Credit Rating
- Tax Rate

The scoring system enabled the selection of three countries delivering the foundation of the qualitative assessment.

3 Qualitative Assessment of the Markets

The qualitative assessment based on the results of the quantitative analysis enabled to deepen the market understanding of the selected countries. The in-depth description of customer and competition landscape in every country and the internal impacts on the company due to the international expansion were addressed. Additionally, potential partners were evaluated followed by their impact on the company's expenses.

Based on this research the conclusion was derived, stating the selected market for expansion. The key findings of the quantitative and qualitative assessments as well as the potential partners were presented and summarized in the technical discussion.

3.1 CCCPR Framework

In order to be able to establish and structure the firm's positioning the CCCPR framework standing for customer, competition, company and partnerships was used. This methodology enables the precise and structured assessment of business units and gives a detailed overview on its market. Alongside the usage of this framework on companies, it can be applied for products as well. In this case a more product specific point of view was developed. The first element – the customer perspective – is dedicated to the assessment of customer, who does not necessarily have to be the end-user. The competitor perspective is a more complex segment and thus it has to be precisely assessed through qualitative assessment. Hereby, the direct and indirect competitors are evaluated, and their market share and also the fragmentation of the market is assessed. Thirdly, the company's internal situation is evaluated. This part is established with the help of two components the potential inorganic partnerships and the cost perspective. Hereby, the expenses of organic or inorganic R&D were considered and compared to the competition in the market.

4 Conclusion

The research shows that the expansion to one country with the solution is suggested. This can be underlined by several factors such as size of the consumer loan market and banking sector and growth potential. Additionally, the customer segmentation and competitor analysis lead to the conclusion that the demand for integrated solutions is high, underpinned by statistical figures and the stricter regulatory environment considering online customer onboarding creates an environment in which the Client's solution can flourish. From the competitor perspective the market is highly fragmented and thus with a detailed, well-established strategy customer can be easily reached. Furthermore, several potential partners were identified and evaluated, and further assessments of several offers is suggested.