



Business Digital Innovation

Project Report

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The following document entails the entirety of the Company X Micro-Lending Platform Project Proposal including technical, schedule, financial, operational and managerial aspects of the project and its implementation.

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Executive Summary

With consideration of the rapidly increasing popularity of Micro-lending platforms in the finance industry, it has attained significant opportunities for both investors and the general population. This report examines ways to tap into the market potential and identify opportunities for profiting market entry via our online micro-lending platform Company X. Company X draws attention to the fact that student and first land owners have lacked the financial support due to presumably their moderate economic stability and financial reliability. However, Company X has countered this with our innovative approach to micro-lending solutions. Clients experience opportunities to find solutions through personalised programs that cater only to their specific needs. Company X's research reveals that personalisation and trustability scales one's market reputation hence their financial potential.

Profit scales with market trust and authority. Company X minimises known ambiguity between context of loans through a seamless online presence hence catering towards the majority of client market. Our technology solution designs loans in such way that our profit is maximised, whilst offering only what our targeted clients can afford within our target segment. With affiliations generated within the segment Company X extends our range of capabilities. Company X draws revenue from transactions of clients, consulting/product service of our online platform, projects conducted with affiliations and recurring interest of loans.

KEY OPPORTUNITIES & THREATS

Market force analysis presents the feasibility of business actions within the market. With opportunities such as the low Influence of customers due to high demand which enables feasibility of increase in business demands in future and customer demand security. The supply of funds ensure confidence in availability while system is effective. Due to fewer number of substitutes, banks always need credit history alongside economic stability, financial reliability checks and seldom have microlending.

Moreover, the market is full, the vast majority of competitors and their large number of potential entrants into this business imposes threats to business prospects. Reputability of a business requires time, with competitors having a large loyal customer base and the prior, this leads to heightened difficulty of new entrants (Zhao, 2020). Micro-lenders typically don't request any type of collateral before loaning out the money. Reduced size of transactions and fluctuating client demands may pose liability issues for micro-lending platforms.

STATEMENT OF STRATEGY & JUSTIFICATION

Company X opts for narrow differentiation focused on a particular industry segment (micro-lending).

Our agenda is to market services through engaging and innovative approaches within our bank-firm industry such that our high flexibility, approachability and relevance to the first-land owners/students provide profitable and stable long-term growth. While a cost-leadership approach would strain the company's financial capabilities against competitors narrow differentiation would focus on one particular industry segment through flexible and innovative approaches. Approaches to microlending can vary between cases and ambiguity for client base exponentially.

JUSTIFICATION_(CONTINUED)

Offering a tailored service through an online tech-based solution provides distinction from other companies, providing Company X the competitive edge. Furthermore, narrow focus on young adult clients, enables ease of customer base development from the already existing large number of competitors. By differentiating our services from that of our competitors and focusing on providing these services to the youth, Company X can develop an industry segment with high youth engagement. This is highly beneficial considering our target market.

VALUE PROPOSITION

Company X's business model focuses on a narrow differentiation strategy that extends to provide a competitive advantage among competitors. Provides a client needs-tailored solution through technology-based platform for loan application and management. Financially stable competitors offer cost-leadership strategies for micro-lending such that clients achieve low interest rates in correlation with small loans. However, achieving such reasonable rates isn't scalable for the majority of our market competitors (Graham Snowden, 2020). Company X counters with narrow differentiation considering the market segment whose credit score and schedule-based requirement prevent loan sanctions. Loans are sanctioned on the basis of housing for students and student academic relief, for first home owners and for individuals under 'special conditions' (government programs, sponsorships and social benefit). Differentiation is evident also through our rewards program where customers have the opportunity of gaining credit on their account if funds are paid back earlier than the due date, which encourages more customers over the long term. Furthermore, the business also provides loan management services to access the business's financial advisors in regards to the funds that are spending, and can also be assisted in learning how to budget and save to pay the funds back. So, clients are regularly in contact with company initiatives through indirect marketing.

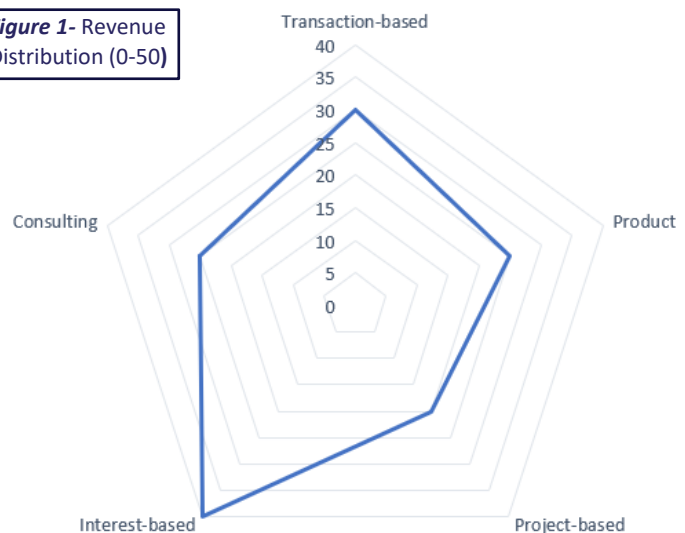
REVENUE GENERATION

Company X acquires revenue from transactions of clients, consulting/product service of our online platform, projects conducted with affiliations and recurring interest of loans after the initial annual membership fee of \$50 paid immediately, upon application. Out of these revenue streams, the company considers the progressive implementing of the affiliation-based project stream as this requires initial funding and financial backing for Company X. However, the remaining are implemented in parallel.

Transactions of clients guarantees the account to be active which logically leads to account maintenance fees as well as interest rates. While consulting/product services of our online platform would generate on-use basis revenue. Pricing for these would rely on the severity and complexity of consulting service (account misplacement/loan over-due) and online product service complexity (splitting loan, loan extension etc.) (Ideas, B., & Company, M., 2021). By limiting client costs by the resources required, mutual benefit is achieved. Furthermore, interest rates are adjusted by the context of loan applications and client position which consequently result in the similar resource/economic sustenance as mentioned earlier.

The affiliation-based project stream is designed to create opportunities within the market segment to extend stakeholder affiliations while contributing to scaled loan sanction on 'special condition' basis such as climate change and government policy implementation (health and academic subsidy).

Figure 1- Revenue Distribution (0-50)



Information Design

ERD NARRATIVE

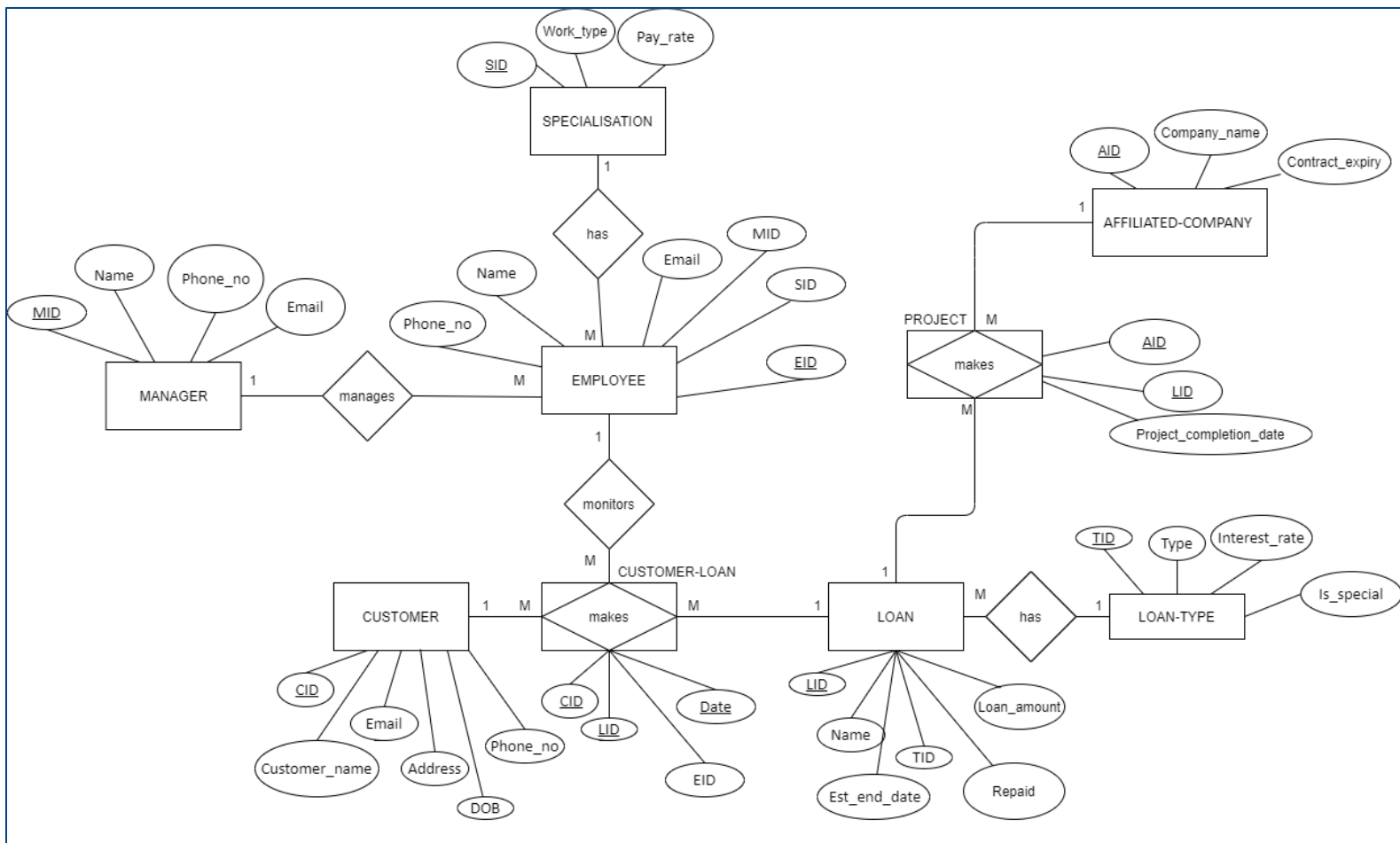
A micro-lending Company X provides loans for its customers in the young adult 25-35 age range. The company stores information on the customers such as Customer name, address, phone no, email, DOB. They also store information by loan such as loan type, date, interest rate, estimated end date. A customer cannot take more than one same-loan type during the same time period (e.g., Two student loans of \$500 in the next one month not accepted). The (loan_Type) loans are classified by their specific type such as student loan, First-home buyers' loan and general loans. The interest rates are applied based on these types. An employee monitors the regular repayments of each loan. An employee's specialisation enables him to achieve the respective pay rate. An employee can monitor many customers and customers are monitored by one employee.

The micro-lending Company also holds information on loans that are taken under special consideration. A manager can manage many employees, while an employee is managed by one manager. Manager details that are stored are name, id, and email address. To cater for the affiliation-based projects Company X holds information on affiliated companies such as company name and Contract_expiry. It also stores the projects and loans the project requires. A loan can be made by many projects and a project can make many loans.

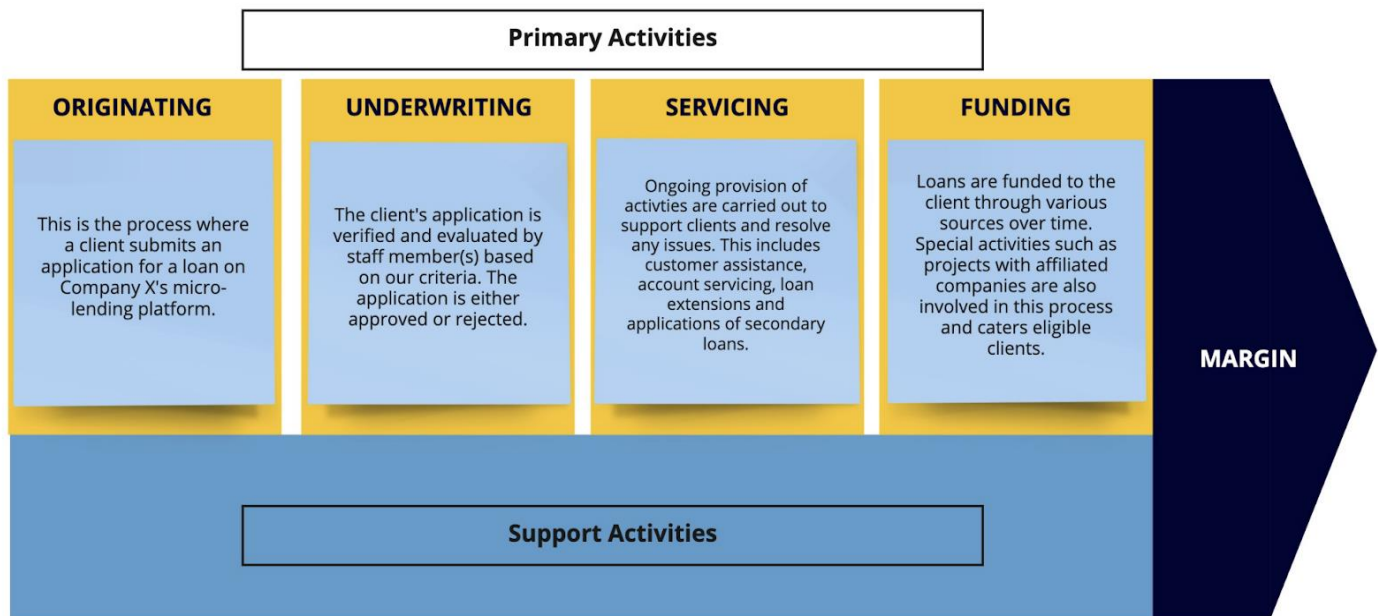
Information Design

ASSUMPTIONS & LIMITATIONS

Revenue Streams mentioned have been merged within columns in entities where transaction and product/service fees are included in loan_amount. Also, since membership fee is one-time, and is essential for customer to create a loan itself, this was deemed negligible to ERD. Special consideration-based interest rates and rewards points are adjusted and are reflected within the interest_rate. These adjustments are made based on the is_special column.



Business Execution



VALUE CHAIN - PRIMARY ACTIVITIES

Value chain analysis proposes that the four revenue streams when split, pose as primary criterions in generating input to more valued output for the client. Additionally the various secondary business processes that they may include.

Loan application process includes the client's overall interaction with Company X staff and the online Loan Design service. This includes the initial interaction with online Loan Design service to design loan and its respective documents. These documents will then be verified and administered through Company X staff.

Customer consulting service process involves the client interaction with Company X support staff to resolve issue and complete secondary tasks such as customer support, account termination, loan extensions and application of subsidiary loans.

Projects with affiliated companies are considered special activities however these are primary activities of the company as they require their own loan and resource system to cater to a scaled client market.

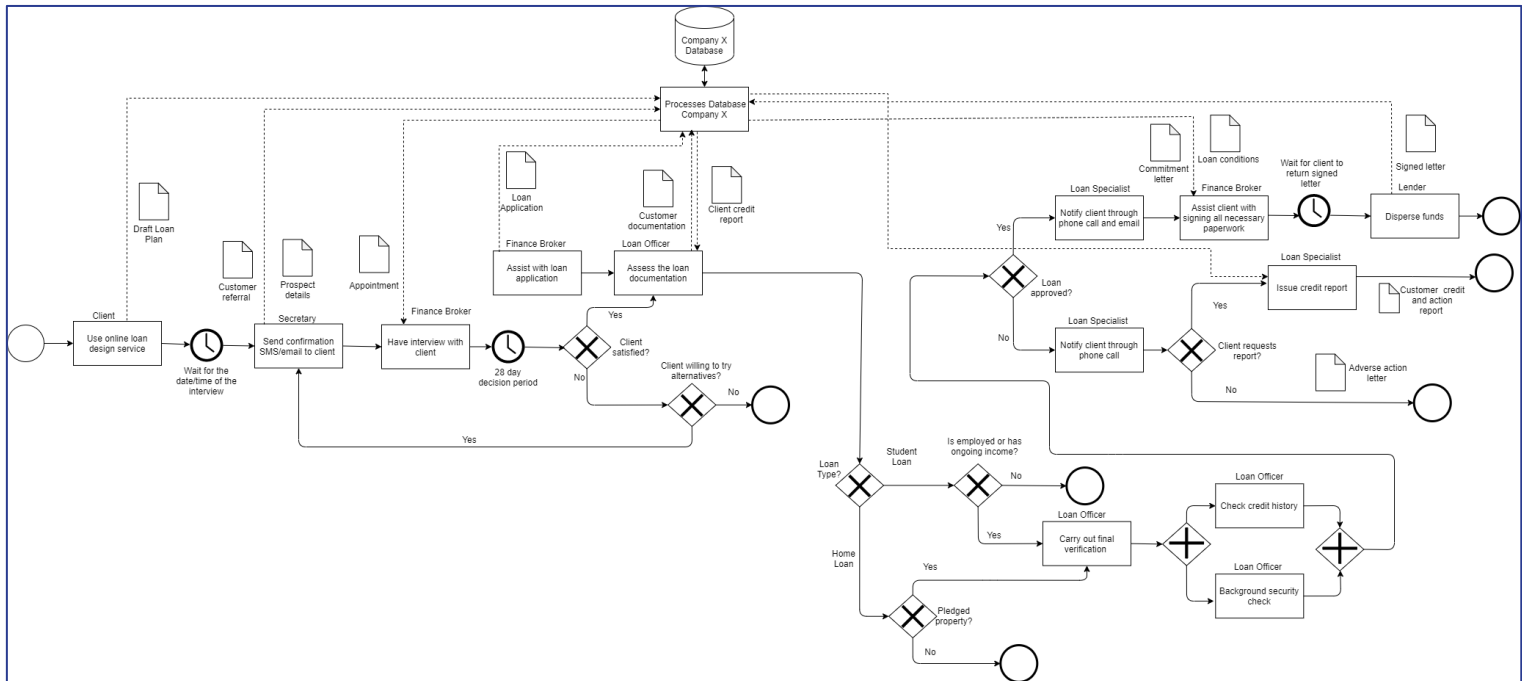
Business Execution

BPMN NARRATIVE — LOAN APPLICATION

Clients use the online Loan Design service to design loan and its respective documents to the specific needs of the client. Company X now holds a draft loan plan and clients' respective financial information. Our company's Finance Brokers, will contact client through phone. The customer will be sent an email or SMS on the available time and date for an interview from one of the company's Secretaries. Here, client will be debriefed on the details of the draft loan design generated online. The customer will have 28 days to decide on continuing the application process. If the client is satisfied with the loaning plan, the Finance Broker will then help the borrower estimate how long it will take to obtain the loan, especially if time is critical. The Finance Broker will then help the client with their loan application and verification documentation. However, if the client isn't satisfied with any of the loaning/repayment plans available, the process ends.

The Client will then need to wait for our company to assess the documentation. An Underwriter (Loan Officer) will then verify the authenticity of the clients' documents and review the clients credit rating and background. The Finance Broker will update the client if necessary. If the loan is declined, the client will receive an adverse action letter-notified by the Loan Specialist through a phone call, this is accompanied by a copy of the client's credit report (if the client requests) and the process ends. If the loan is approved, the client will be notified through a phone call from the Loan Specialist, and assisted by the Finance Broker will sign all necessary paperwork to fulfill the contract-which includes a commitment letter and any loan conditions. Once the paperwork has been signed, the client must return the signed letter within a specified time. After the letter is returned and received, the funds are disbursed in a timely manner and the customer details/responses/documents are stored on the database.

Business Execution



BPMN ASSUMPTIONS & LIMITATIONS

There are a few assumptions/limitations that need to be stated within our business process model. Clients can make their own rational decisions when designing loans that are suitable for their needs, irrespective of their motives, if any. This further extends to the assumption that clients are qualified and honest in their interview and background checks. Clients receive extension from the given 28 days to decide whether or not to continue with the application. This is a limitation that could not be addressed due to the complexity and possibility for too much variation. Clients are willing to proceed with the loan at any time throughout the entire process. Unforeseen changes in the client's situation or a change of plan and the loan application process may not proceed at any point. Clients may not wish to proceed with the loan after the draft loan plan is made or when the loan is approved. Clients may wish to have loan conditions amended and this may delay the contract process. Funds may not be disbursed in a timely manner. In this case, this business model has not provided solutions as situations may be too complicated and/or unique to be addressed. Client accepts that their details are stored on the database. They may not wish for this and this may pose ethical issues. Loan assessment sub-processes and several exit points were assumed to provide more detail.

Critical Reflection

ETHICAL ISSUE

An ethical issue within the Company X and its client interaction is the method of data collection. As the business runs on an online platform, information can either be verified through physical interaction of client and Company X staff or the information of the two can be exchanged virtually via the online platform.

While each may pose benefits, the ethical resolution to this dilemma is crucial for the company. As collection and usage of information is an integral part of Company X's primary and secondary activities.

RESOLUTION

The ethical dilemma here is trivial, whether Company X chooses to collect/verify information physically or implement a fully virtual collection/exchange and verification of information. If the company opts for a physical approach, Company X loses its main criterion for the market entry (online micro-lending platform), as the switching between platforms may cause confusion and delay in scheduled plans. Although it may result in more reliable collection and verification as physical approach prevents information leaks and cyber-crimes. However, virtual collection/exchange firstly enables the company to not sacrifice its main business model and also achieve seamless and efficient transfer of data. Yet this may result in data breaches, cyber-crimes and issues with database security if data is held for too long and insecurely. With main affected stakeholders being clients, employees, managers, affiliated companies and the Company X itself.

Critical Reflection

RESOLUTION (CONTINUED)

Company X classifies information privacy as an important ethical prospect that must be maintained and regularly examined for the longevity of the company processes. As mentioned in business execution section, profit scales with market trust and authority, however these traits are direct outcomes of defined ethical constraints such as information privacy and security. Company X is responsible for the correct use of client information for carrying out the various primary and secondary activities required of the company's business processes. Company X is expected to oversee the transactional and logistics information required for financial business interactions. Therefore, it is vital that information privacy is maintained internally within the business, but also prevent external forces by strengthening the information security of Company X.

On the basis of Laudon & Laudon's model, implementing a fully virtual collection/exchange and verification of information is the optimal solution.

Firstly the Company's business model shouldn't be compromised and we reason this with the Utilitarian principle as this option provides the highest value for the company. Also by risk aversion principle Company X aims set privacy/security policies (store data securely and for 30-day period), data breach contingency and response plans set in place and database systems security measures such that risks for this option are drastically reduced.

Critical Reflection

LIMITATIONS

Limitations are constant in all actions and its identification provides awareness of Company X and its bounds. When applying for a microloan, the time it takes to get the funds may take longer than expected. This poses a hindrance to the client because there may be a long wait time and/or other unforeseen delays if many businesses apply. To overcome this limitation, our information system can be upgraded to notify our business first and then the clients, upon our approval, on the high volume of applications. On another note, there is a risk to our business if the borrowers don't pay back the loan. This issue was not mentioned in our business idea because of the complexity of matter and can be further elaborated on in the future. Furthermore, our business may face risks if the clients are not honest in the screening process and simply want to attain loans for personal use. More sophisticated sanitisation of client selection for loan approvals would be optimal. Our business model can be improved to incorporate ways that can better identify and remove less qualified clients. For example, in the application process, specific and assertive questions that delve into the client's motivations and goals can be asked to get the clients to respond more honestly. Online Loan Design service wasn't clearly detailed for the complexity of the various secondary processes that take place for the information system to function. However, this can be elaborated during the implementation.

CONCLUSION

In summary demand in P2P based micro-lending platforms has posed market potential and opportunities for profitable market entry via our online micro-lending platform Company X. Company X narrows the target market to focus on differentiation and client need-tailored proceedings to achieve an innovative approach to micro-lending solutions. Company X personalisation and trustability scales our market reputation hence our financial potential.

Appendix

FULL PORTER'S 5-FORCES ANALYSIS

Force	Market players	Influence / position
Competitors	<u>Other Micro-lending platforms:</u> Kiva and Upstart, Kickstarter and GoFundMe etc.	Position: Moderate/High There are a number of micro-lending organisations, some also being non-profit. Some of these existing organisations have already built a trustworthy brand reputation with a loyal customer base, which would make it quite difficult to build one from scratch. For this reason, our business must have a competitive advantage compared to others in the industry in order to thrive.
Customers	<u>First home buyers</u> <u>Young adults</u> requiring personal loans for various reasons (study, poverty, housing)	Position: Low Customers can be separated into categories: young adults and first-home buyers. Young adults are known for their debt issues due to college/university fees (Butt, 2018), thus, the demand for personal loans is very high (Ferguson, 2021). First Home Buyers have more influence on the business because competitors are increasingly accessible and financially stable. However, lower interest rates and bonus offers can easily manipulate customers and reduce their bargaining power. Furthermore, the customers are borrowers and micro-lending services have relatively similar financial outcomes.
Suppliers	Businesses supply their own micro-lending platform and the supply of funds loaned to the businesses will be sourced from the customers themselves (through interest from loans, membership fees and late payment fees)	Position: High Businesses can create their own micro-lending platform with ease. Additionally, the number of consumers that are able to make funds for the loans is imperative for the business systems to run successfully. Therefore, consumers have a substantial influence on the supply.
New entrants	Potential new micro-lending businesses	Position: High It is relatively easy to start a loan business since there are low barriers to entry; the legal entity should first be formed with appropriate registrations, certificates, accounts and then a business website may be created.

Appendix

Substitutes	<u>Borrowing from family/friends</u> <u>Banks:</u> Commonwealth Bank, Westpac, ANZ, etc. <u>Credit Unions:</u> Community First Credit Union, etc.	Position: High There is a high availability of alternatives to microlending and there are low switching costs for customers.
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