**OnDeck Capital**

OnDeck Capital (ODC) was established in 2006 by Mitch Jacob. OnDeck is headquartered in New York City. ODC was not Mitch Jacob’s first business, and in the last 25 years, he created many businesses that served as small businesses. He was able to get the initial funding from VCs companies to start ODC. The company provides lending to small businesses by using technology to aggregate data about business’ operations, which is processed by an algorithm that determines loan eligibility. Mitch Jacob came up with the idea to help small business owners by making the loan decision based on business operation and not so much of personal credit or asset. He believed that small business owners are crucial to our economy and they need to be supported. The company was able to expand and grow throughout the years and offer its services and products to Canada and Australia in 2015 (as a subsidiary). Recently, Enova acquired OnDeck for $90 million due to the challenges that COVID-19 presented.

<https://en.wikipedia.org/wiki/OnDeck_Capital>

**## Business Activities:**

**What specific financial problem is the company or project trying to solve?**

OnDeck tries to help businesses that need funding quickly even if they do not meet the conventional lender requirement. More importantly, OnDeck empowers small business owners to gain more access to capital and financing. The company’s goal is to provide a speedy decision within 10 minutes and it could take up to 24 hours to fund it. The product offering has evolved over the years; at the beginning, the company only offered term loan and line of credit. Today, the company provides line of credit, secured equipment finance loan, and term loan. In addition, the company partnered up with other banks (JPMorgan Chase) and provides them with the proper technology and platforms used to facilitate online lending to small business customers. They are able to do this through ODX, a wholly owned subsidiary. OnDeck also partners with SCORE and provides advice with no charge to small business customers.

<https://www.nerdwallet.com/reviews/small-business/small-business-loans/ondeck-small-business-loans>

**Who is the company's intended customer? Is there any information about the market size of this set of customers?**

OnDeck’s primary focus is small business customers in the US, which is about 30.7 million. Additionally, the company also has a footprint in Canada and Australia. The company’s products and services are fit for businesses that need funding fast, have a personal credit score of at least 600, and that have cash flow issues. It seems their customers might have some difficulty to get funding from conventional banks.

<https://www.nerdwallet.com/reviews/small-business/small-business-loans/ondeck-small-business-loans>.

**What solution does this company offer that their competitors do not or cannot offer? (What is the unfair advantage they utilize?)**

OnDeck offers convenience to its customers by processing loan applications online or over the phone in less than 10 minutes. The qualification is very minimal compared to its competitors. The line amount is up to $100k and the loan amount can be up to $500K. Minimum qualifications are: 3 years plus in business, no bankruptcy bin in the past two years, a minimum of 600 credit score, and $250M plus in annual sales revenue and personal guarantee required. Everything has a price tag and with higher rewards comes higher risks for OnDeck. It’s an easy access to capital for their customers, but the fee and interest rate is very high compared to their peers or conventional lending. The rate range from 9% (APR) to 99% for loan and line can be from 13.99% to 63%. The borrowers are required to pay the payment weekly and not monthly.

<https://www.nerdwallet.com/reviews/small-business/small-business-loans/ondeck-small-business-loans>.

**\* Which technologies are they currently using, and how are they implementing them? (This may take a little bit of sleuthing–– you may want to search the company's engineering blog or use sites like Stackshare to find this information.)**

The company uses data analytics, technology, and a score system to make a fast credit decision. The company also uses “Digital Account Opening”(DAO) to streamline the onboarding process.

[https://www.forbes.com/sites/lawrencewintermeyer/#72aaf5863ac2](https://www.forbes.com/sites/lawrencewintermeyer/%2372aaf5863ac2)

**## Landscape:**

**What domain of the financial industry is the company in?**

The company is in lending domain. However, its only focus is on the small business sector.

**What have been the major trends and innovations of this domain over the last 5-10 years?**

After 2008, more traditional banks became conservative in their lending approach. FinTech was able to grow quickly in the last 10 years, and as a result of being able to utilize technology, it was able to gain some market share. FinTech is able to take more risks due to lower operating costs and no branches. Consumers are getting more comfortable with using technology and in some cases, they prefer to not meet with anyone. Also, more people are favoring Green Businesses and would prefer to support the businesses that are using less paper. FinTech uses technology to gather data and translate that to meaningful information. Artificial Intelligence is on the rise and in some cases, it can act faster and more efficient than the human brain.

https://www.ncontracts.com/lending-compliance-blog/the-future-of-finance-5-banking-trends-to-watch

**What are the other major companies in this domain?**

Major FinTech lending companies are as followed: Kabbage, Lending Club, Salt Lending, AVANT, TALA, Bond Street, OPPLOANS, CREWDIFI, FUNBOX, and AFFIRM.

**## Results**

**\* What has been the business impact of this company so far?**

OnDeck provided $13 billion of financing (globally) to small businesses since 2006. Also, OnDeck is considered as one of the first automated online lenders. As of March, OnDeck has had about 800 employees, and has been ranked second among its top ten competitors. The company has had a great strategy in place, by partnering up with Angie’s List, Intuit QuickBooks, Credit Karma, Prosper Marketplace, and Wave Accounting, OnDeck has gotten the opportunity to grow.

<https://www.businessnewsdaily.com/8448-best-business-loans.html>

**What are some of the core metrics that companies in this domain use to measure success? How is your company performing, based on these metrics?**

The core metrics measure success for companies similar to OnDeck, such as:

Acquisition— this metric determines how many customers download the app and the company was able to onboard new customers.

Retention— this indicates how many customers come back to use the products and services or remain with the company.

Activation— it’s important for customers to download the app and learn more about the services. Moreover, is also important for customers to utilize the app as well.

Referrals— customer feedback is very important and if the products satisfy their needs, then the company can bring in more business.

Marketing— it’s crucial to identify the channel so that the company can attract new customers to minimize the costs.

Technical— it’s important to provide the safest and most trusted system for the user. Any mistakes in the data, privacy, and convent can create reputational damage possibly resulting in a loss of customers.

Revenue— this metric is applicable to any type of business and company that needs to monitor the KPIs in order to make any necessary changes as needed.

OnDeck’s revenue is ranked third among its top competitions as of Q1 2020. All other metrics contributed to generate great revenue. However, OnDeck has had some challenges during COVID-19, and most of its customers stopped making payments for a few months, which resulted in the company being sold to ENOVA.

https://finance.yahoo.com/news/fintech-analytics-top-7-metrics-182104952.htm

**How is your company performing relative to competitors in the same domain?**

OnDeck’s main customers cannot obtain funding through banks. That’s the reason the interest rate and fee is higher than traditional lending. The second quarter of 2020 resulted in the company losing $59M due to COVID-19. About 45% of OnDeck’s loan portfolio were in the stage of delinquency by the end of April. However, in recent months, about 40% of customers are making partial payments. Some of OnDeck’s competitions are going through the same situation and others are doing better since they’ve had more restrictions and tighter credit policies.

<https://www.americanbanker.com/news/ondeck-sharply-curtails-lending-as-delinquencies-mount>

**## Recommendations**

**\* If you were to advise the company, what products or services would you suggest they offer?**

**(This could be something that a competitor offers, or use your imagination!)**

I highly recommend to offer credit cards and to narrow down the industries that the company lends to. There are some risky industries that depend on the performance of the economy, which may result in an impact on the revenue. In addition, OnDeck should require more documents from business operations for riskier borrowers. I also recommend to offer lower interest rates to certain borrowers that are less risky, such as the Healthcare industry. Their focus is on the customers that are unable to borrow money through banks and it’s a great opportunity to gain more market share to focus on those type of clientele. Although it’s important to be able to compete with traditional bank’s interest rates and fees, OnDeck should provide its customers with different standards of criteria depending on the loan amount to reduce the risk of loan delinquency.

**Why do you think that offering this product or service would benefit the company?**

OnDecks’ integration with Enova helps minimize their losses as well as benefiting from better technology and platforms. The recommended products and services allow a more diverse credit portfolio and reduces the risk in some extent. It also helps during any unpredicted events or in an economy turndown.

**What technologies would this additional product or service utilize?**

I believe OnDeck (Enova) company should be able to create some sort of software or application that would obtain tax returns from the IRS directly (with borrower permission). The software should also be able to calculate the cash flow from the recent last two years. This technology is very helpful for risker borrowers and can still maintain the primary objective, which is to reach the decision fast and conveniently. It’s also cost effective for the company by not having to hire underwriters that make the credit decisions. Currently all banks can obtain tax returns from the IRS but there is no technology that is able to calculate the cash flow automatically.

**\* Why are these technologies appropriate for your solution?**

This technology is not only cost effective but can also can help to minimize the risk . In addition, it may help with structuring more appropriate interest rates for type of borrowers. I believe this technology should be utilized for any loan amount more that $100K and high risk industry. This approach can help with consistency in credit decisioning as well.