Customer-driven financial innovation at the heart of retail

While connecting with people will always be at the heart of retail – cash is still king. Access to affordable credit is the lifeblood of the retail industry and financial solutions need to keep up with demand for speed and convenience.

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Retail is about people. Meeting their needs, wants and changing preferences. But while everyone is typically hyper focused on the consumer, we tend to forget the most vital component of the equation: the retailers themselves.

The retail industry is made up of hundreds of thousands of individual and family businesses that are the lifeblood of modern communities. As a major driver of the Australian economy, retail trade makes up about 5% of gross domestic product (GDP) and employs more than 10% of the total workforce.

And to keep customers happy, meeting their needs, delivering on quality, price and convenience, retailers across the country rely on access to affordable growth capital.

According to research, almost 75% of Australian small and medium sized businesses make a decision to access external finance every year for the continued health of their business. It might be to invest in further growth, to fund day-to-day operations, or to refinance or manage existing debt.

In a crowded market, finding the right business lender can present a challenge. Where the health of the business is concerned, there are personal considerations that can help narrow the choice.

Here are four things retailers might think about:

1. BEST SOLUTION: WIDEN THE SEARCH

Look for business finance suited to specific purposes. Avoid the 'one-size-fits all' solution. Business requirements vary. Some might need secured business loans for large investments; others want something more flexible that fits well into your working capital cycle. Perhaps the answer is a 'line of credit' product for at-need availability, or specific finance solutions for equipment or vehicle finance that allow repayments over 3-5 years.

As businesses navigate what can be a complex lending landscape, each of these considerations raises additional questions. It isn't surprising that almost 50% of SMEs need help, and have widened the search for the right answers.

The search for the right solution shouldn't be limited. Banks are no longer the only viable option. And while more than 85% of small and medium-sized enterprises (SMEs) still choose traditional lenders to source credit according to the recent Small Business credit survey, nearly 10% of SMEs used alternative lenders in 2018.

Thanks to innovation and better technology that number may be growing. Alternative finance providers have emerged to meet the needs of small businesses and more and more retail businesses choose non-bank lenders to benefit from advantages such as online applications, flexible arrangements, faster approvals, prompt, efficient customer service, and more personalised financial products. They see added value in lenders who are prepared to get to know clients and their business needs – present and future.

In fact, in a recent study, almost half of SMEs rated their existing relationship with their lenders as more important than the cost of the loan.

2. CHECK YOUR TOTAL COST

The interest rate might be at the top of the agenda, but it doesn't actually tell the whole story. It's important to assess the total impact on the business, taking individual circumstances into account.

Obviously it's smart to find a competitive rate but there are other questions to ask:

- What are the implications of taking a fixed or variable rate loan?
- How will establishment or exit fees, early payment penalties, and any other ongoing fees and charges affect the total cost of funds?
- What is the total repayable amount?

3. SEEK TRANSPARENCY AND AVOID SURPRISES

Businesses should research lenders, as they would any other provider. Responsible, reputable lenders are committed to transparency above all else, and should be forthcoming about:

- Total costs, fees, charges and penalties
- Product disclosure, terms and repayment schedules
- Credentials and licences

Transparency builds trust – the basis of a valuable and long-lasting relationship.
And better than anyone, retailers understand that putting customers and their needs first builds trust and loyalty. It makes sense that business lenders would similarly also look for trust-based relationships with their retail clients.

4. TIME IS MONEY

Will the business lender who ticks all the boxes also smooth the track to fast, flexible and fuss-free finance?

Lack of finance, or delayed access to funds, represents lost opportunity. An often overlooked but real 'cost' of external finance is the time spent in looking for it and securing it. The search alone is time consuming. According to the Small Business credit survey, around three quarters of SMEs who applied for credit spent more than six hours in the process, 15% spent more than 20 hours and almost half needed to utilise brokers for support.

Therefore, it pays to find out what type of credit approval and screening process your potential lender has in place. Key questions to ask are:

- Is the application process quick and easy?
- How soon after approval will a lender make funds available?
- How good is the service?
- What is the lender's availability?
- How easy is it to make contact and get a response?

Every hour you wait is a loss of your valuable business time, and another hidden cost of a business loan.

Searching for - and finding - the appropriate financial solution for your business is not always a straightforward decision, but an important one. With more choices for credit providers than ever before, choosing the right partner can very well determine the long-term wellbeing and success of your business.

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