

Lending Metrics:

Consumer Approaches to Credit Products and Distribution in Selected Global Markets

Series Prospectus

October 2016

Prospectus contents

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What is the research?

Finaccord's *Lending Metrics* series of reports provides detailed and timely insights into the rapidly evolving markets for consumer lending in eight countries, namely Australia, Canada, France, Germany, Italy, Spain, the UK and the US. Based on a survey of over 9,000 consumers, the research specifies the percentage of adults in each country making use of ten different types of credit product plus how holdings of each loan type split by gender, age group, annual household income, employment status and presence of dependents. Loan types in scope are as follows:

- mortgages;
- other loans secured on property;
- loans secured on possessions (e.g. jewellery or electrical products);
- vehicle loans / leasing contracts;
- retailer loans / finance contracts;
- overdrafts;
- payday loans;
- guarantor loans (i.e. loans guaranteed by relatives or friends);
- credit cards;
- and other (unsecured) loans.

continued overleaf

What is the research? (cont.)

Furthermore, the series delivers unique data illustrating both consumer propensity to take out loans online and to make use of lending product aggregators (comparison sites) when doing so, with insights additionally provided into the distribution channels used for the following loan types:

- mortgages (between direct lending and distribution via brokers or other intermediaries);
- other loans secured on property (again, between direct lending and distribution via brokers or other intermediaries);
- vehicle loans / leasing contracts (between point-of-sale acquisition via dealers, direct lending and distribution via brokers or other intermediaries);
- other (unsecured) loans (between direct lending, distribution via brokers or other intermediaries and distribution via P2P / marketplace lending platforms).

Finally, the research explores the reasons given by consumers for taking out each type of loan. In addition to buying a home or vehicle, other reasons commonly mentioned include paying for home improvements, paying for vehicle repairs, buying electrical products or appliances, buying furniture, paying for education fees, paying for holidays / travel, buying gifts, paying household bills, paying for other living expenses, and paying off other debts.

Which titles are available?

The *Lending Metrics* series is composed of nine separate publications, namely: an overview study providing comparisons for the metrics gathered across all eight countries as well as all of the results for each country; and eight country-specific titles providing the results for the investigation into consumer approaches to credit products and distribution for a single country. The titles in question are as follows:

[Lending Metrics: Consumer Approaches to Credit Products and Distribution in Selected Global Markets](#)

[Lending Metrics: Consumer Approaches to Credit Products and Distribution in Australia](#)

[Lending Metrics: Consumer Approaches to Credit Products and Distribution in Canada](#)

[Lending Metrics: Consumer Approaches to Credit Products and Distribution in France](#)

[Lending Metrics: Consumer Approaches to Credit Products and Distribution in Germany](#)

[Lending Metrics: Consumer Approaches to Credit Products and Distribution in Italy](#)

[Lending Metrics: Consumer Approaches to Credit Products and Distribution in Spain](#)

[Lending Metrics: Consumer Approaches to Credit Products and Distribution in the UK](#)

[Lending Metrics: Consumer Approaches to Credit Products and Distribution in the USA](#)

What is the rationale?

As a result of the rapid development of digital lending technologies, consumer credit markets worldwide are characterised by the introduction of disruptive new loan concepts, the increasing usage of online distribution and the growing importance of P2P / marketplace lending platforms. Innovations such as these are being made possible by advances in credit risk solutions which span credit scoring, credit underwriting, customer management and collections, and which are leading to the emergence of a wave of new lending institutions serving a new generation of borrowers.

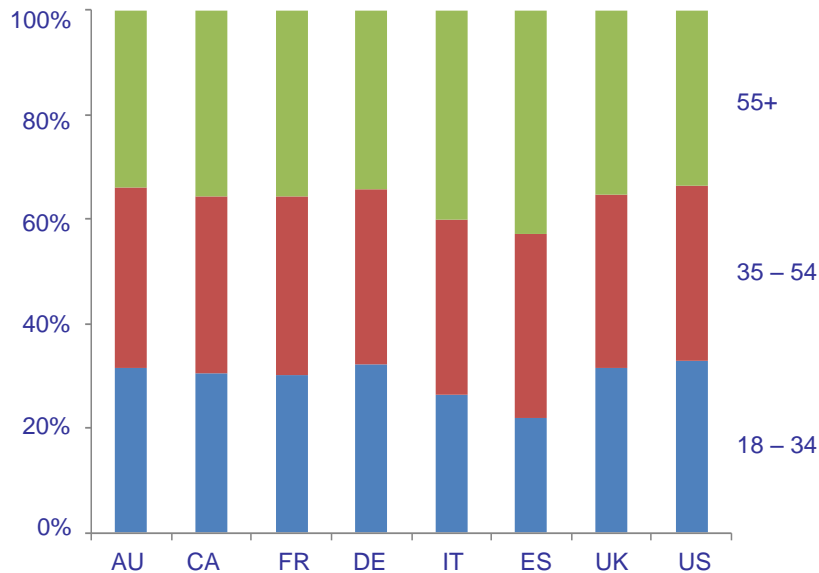
Hence, for the eight countries in scope, Finaccord's *Lending Metrics* research seeks to shed light on consumer behaviour in this evolving and dynamic sector by delivering data and analysis that answers a number of key questions.

For example, what are the penetration rates for different types of loan product among consumers in each country and what is the typical customer profile for each one? Which distribution channels do consumers use to acquire these products and how much loan origination is occurring online and / or via aggregators? How frequently are loans taken out via P2P / marketplace lending platforms in comparison to other types of loan? And what are the factors causing borrowers to make use of each type of loan? These and other questions are addressed by the *Lending Metrics* series.

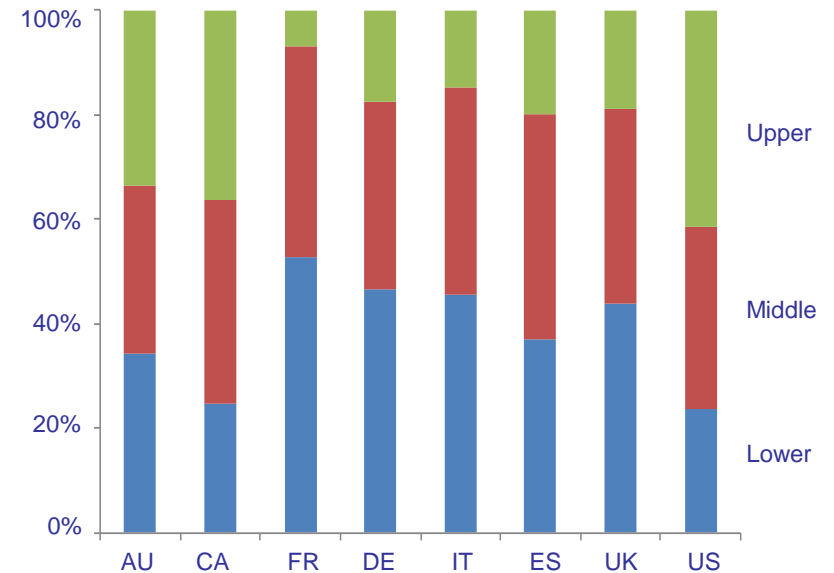
How does the consumer sample break down?

The research for this study, which covers over 9,000 consumers across eight countries, was carried out during July and August 2016. A breakdown of each country's eventual sample by age and annual household income is presented below.

SEGMENTATION BY AGE



SEGMENTATION BY ANNUAL HOUSEHOLD INCOME



What is the report structure (for the overview report)?

0. *Executive Summary*: providing a concise evaluation of the principal findings of the report.
1. *Introduction*: offering rationale and definitions.
2. *Consumer Overview*: this chapter examines consumer propensity to borrow generally across each of the eight countries, breaking down respondents by number of loans held (at any time during the two years leading up to the survey) both in overall terms and by socio-demographic group. It then provides data illustrating the rates of utilisation of each of mortgages, other loans secured on property, loans secured on possessions, vehicle loans / leasing contracts, retailer loans / finance contracts, overdrafts, payday loans, guarantor loans, credit cards and other (unsecured) loans. Moreover, analysis is also provided to depict the propensity of consumers to arrange loans online and / or via aggregators and, for relevant loan types, to do so through brokers or other conventional intermediaries (as opposed to directly from the lending institutions themselves), or by means of P2P / marketplace lending platforms. Finally, the chapter explores and ranks the reasons given by consumers for taking out different types of loan in each country.
3. *Australia*: this chapter presents the same information as described above exclusively as it pertains to consumer approaches to credit products and distribution in Australia.
- 4 - 10: *Canada, France, Germany, Italy, Spain, the UK and the US (all contents as for Australia)*.
11. *Appendix*: including a full transcript of the online questionnaire used for the research.

What are the key features of the research?

Key features of the reports in this series include:

- unique data for each country showing how consumer propensity to borrow varies by socio-demographic group and by type of loan with coverage of alternative credit product concepts including guarantor loans, payday loans and P2P / marketplace lending loans;
- standardised figures illustrating distribution by loan type including not only the fundamental online / offline split but also, where relevant for online distribution, the segmentation between loans taken out via aggregators and those not acquired via aggregators;
- specifically for vehicle loan and leasing contracts, a breakdown between acquisition via vehicle dealers, direct finance and acquisition via brokers or other intermediaries, with a further segmentation in all three cases between online and offline origination;
- for each loan type without a specific purpose (i.e. not including mortgages or vehicle loans / leasing contracts), an analysis and ranking of the many reasons given for borrowing including a desire to consolidate other debts and to pay for general day-to-day living expenses.

How can the research be used?

You may be able to use the reports in this series in one or more of the following ways:

- to understand the behaviour of consumers when it comes to borrowing, the variances in utilisation of different loan types and the progress of disruptive models such as P2P / marketplace lending platforms in each of Australia, Canada, France, Germany, Italy, Spain, the UK and the US;
- to measure the extent to which online distribution of loans is gaining ground in each country and the degree to which aggregators (comparison sites) are used in this context for each of mortgages, other loans secured on property, vehicle loans / leasing contracts and other (unsecured) loans;
- to assess the resilience of vehicle dealers as distributors of vehicle loans / leasing contracts and the degree to which they are defending their position successfully against multiple alternative competitors including both direct lenders and intermediaries specialising in this arena;
- to appreciate the factors that cause consumers to borrow – to what extent are reasons such as paying for weddings or other events, paying rent or deposits on property or raising funds for a start-up business commonly given as the motivation for taking out credit products?

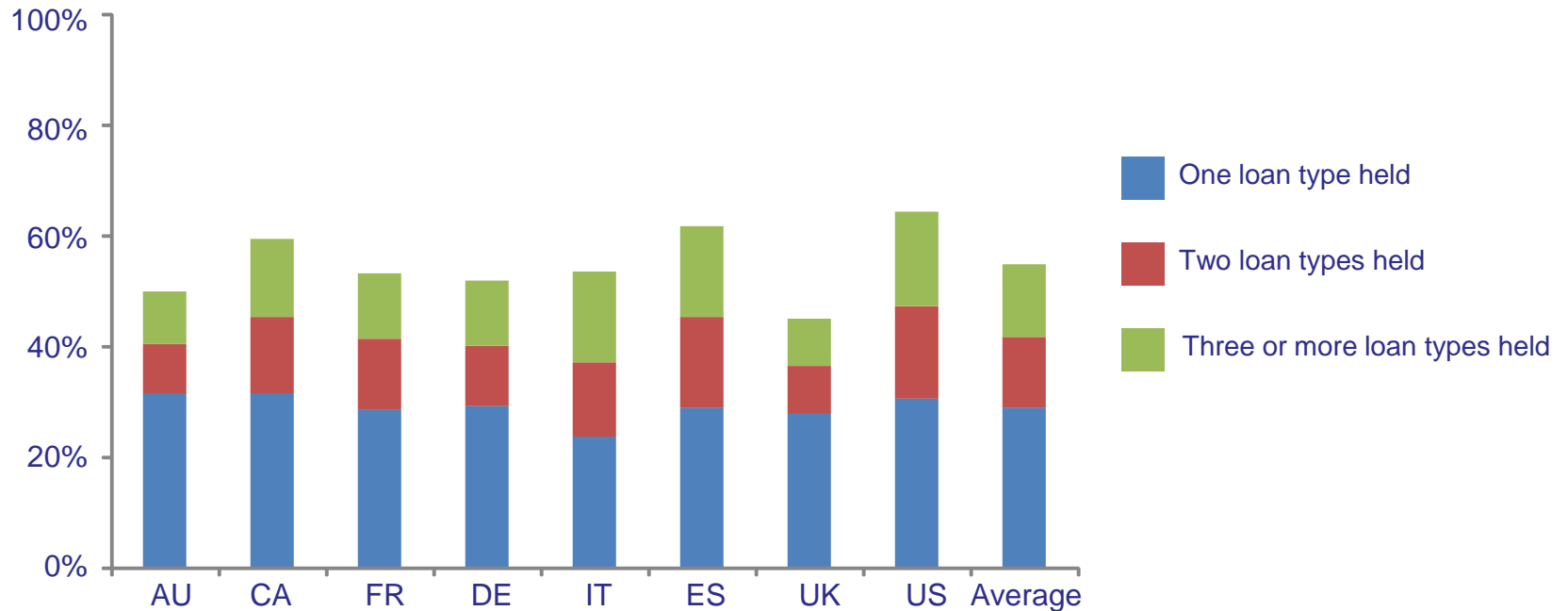
Who can use the research?

1. *Banks and other lending institutions:* the status of established banks as the first port of call for consumers needing to borrow money is being threatened by the emergence of multiple new types of lending institution and intermediary – this research will provide competitors active in this sector with insights into what changes in consumer behaviour mean for them;
2. *Aggregators:* the research indicates that a significant proportion of loans acquired online are organised via aggregators as consumers seek to evaluate the growing number of borrowing options open to them by comparing products;
3. *Affinity and corporate partners:* among types of organisation with a direct interest in consumer lending are automotive manufacturers and retailers because of the additional revenues that they can earn from point-of-sale finance agreements – to what degree are new dynamics in this sector disrupting their existing business models in this field?
4. *Management consultancies:* are you helping an incumbent or challenger with its strategy in the consumer lending markets of Australia, Canada, France, Germany, Italy, Spain, the UK or the US? If so, this research will provide you with invaluable knowledge concerning consumer behaviour in these markets.

What are some of the key findings?

1. Respondents to the *Lending Metrics* survey in Spain and the US are most likely to hold multiple loans

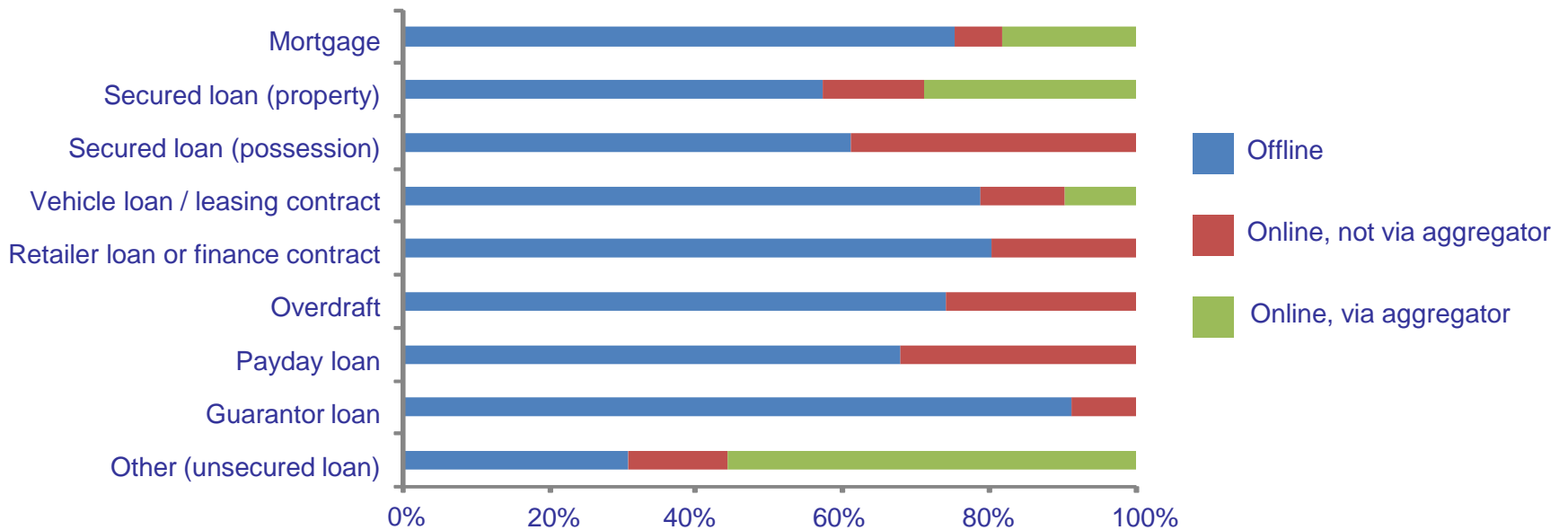
% of respondents holding at least one loan type



Source: Finaccord Lending Metrics survey

What are some of the key findings? (cont.)

2. In Country Y, the degree to which consumers are taking out loans online varies substantially by type of credit product



Note 1 – the identity of Country Y is revealed in the overview and relevant country-specific report

Note 2 – in the reports, further segmentations are provided by loan distribution channel (e.g. direct, brokers / other intermediaries, vehicle dealers, P2P / marketplace lending platforms)

Source: Finaccord Lending Metrics survey

What are some of the key findings? (cont.)

3. In Country Z, respondents taking out loans secured on a possession (e.g. on jewellery or an electrical product) report multiple reasons for using this type of finance

Reason	%
Buying a car or other vehicle	4.1%
Paying for repairs to a car or other vehicle	8.1%
Paying for home improvements	9.5%
Buying an electrical product or appliance	9.5%
Buying furniture	8.1%
Buying gift(s) or other items apart from those listed above for someone else	12.2%
Buying gift(s) or other items apart from those listed above for yourself	5.4%
Paying for a holiday or travel expense	9.5%
Paying for education fees	5.4%
Paying for a wedding or other special event	4.1%
Paying rent for a property or to put down a rental deposit	4.1%
Paying for other household bills	2.7%
Paying for other day-to-day living expenses	6.8%
Funding a start-up business	1.4%
Paying off other debts	6.8%
Another reason or reasons	2.7%
Total	100.0%

Note - the identity of Country Z is revealed in the overview and relevant country-specific report

Source: Finaccord Lending Metrics survey

What are some of the key findings? (cont.)

Key findings from executive summaries in this series include the following:

- across all loan types investigated, consumers in Australia and the UK show the greatest propensity to take them out online with almost equal utilisation rates, although those in Australia have a clear lead when it comes to making use of aggregators in the same context;
- likewise, with a specific focus on mortgages, consumers in Australia and the UK are most likely to make use of brokers or other intermediaries when it comes to sourcing a home loan while those in France and Germany are most likely to take out a mortgage directly from the lending institution;
- the popularity of retailer point-of-sale finance peaks in Italy and Spain while overdrafts are used most regularly in France and Germany;
- across all eight countries, an average of only 1.6% of respondents reported having taken out credit via a P2P / marketplace lending platform which means that the penetration of this emerging form of borrowing is still less than that of niche loan types such as guarantor and payday loans, albeit it is growing rapidly in all countries.

What is the cost and format?

All of the reports in the *Lending Metrics* series are available as standard PDF documents and Excel data annexes. Costs for the various titles in the series are as shown below.

REPORT	COST *
<u>Lending Metrics: Consumer Approaches to Credit Products and Distribution in Selected Global Markets</u>	USD 4,195
<u>Lending Metrics: Consumer Approaches to Credit Products and Distribution in Australia</u>	USD 1,195
<u>Lending Metrics: Consumer Approaches to Credit Products and Distribution in Canada</u>	USD 1,195
<u>Lending Metrics: Consumer Approaches to Credit Products and Distribution in France</u>	USD 1,195
<u>Lending Metrics: Consumer Approaches to Credit Products and Distribution in Germany</u>	USD 1,195
<u>Lending Metrics: Consumer Approaches to Credit Products and Distribution in Italy</u>	USD 1,195
<u>Lending Metrics: Consumer Approaches to Credit Products and Distribution in Spain</u>	USD 1,195
<u>Lending Metrics: Consumer Approaches to Credit Products and Distribution in the UK</u>	USD 1,195
<u>Lending Metrics: Consumer Approaches to Credit Products and Distribution in the USA</u>	USD 1,195

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How can the research be purchased?

Simple. Just go to the relevant area of the Finaccord website, create your account (if you do not have one already) and place your order online. Products paid for online by card will be delivered immediately by e-mail but please allow up to one working day for delivery by e-mail if you choose to pay on receipt of invoice.

With regards to the **corporate user licence**, you will be asked to choose one of the following options:

1. One office, one country: no supplement over and above basic cost of reports ordered
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