

more  
than  
money



# SMALL BUSINESS

*big opportunity*

How expanding into small business lending can support your customers and grow your broking business.



With more than two million small businesses across Australia, it is fair to say the nation's small business industry is a dynamic, thriving community<sup>1</sup>.

Brokers themselves contribute to this growing number, with many in our industry operating small teams that pack a punch when it comes to achieving terrific customer outcomes.

The small business sector presents a growth opportunity for brokers, who can tap into this market to diversify their revenue streams and ultimately help more of their customers reach their small business financial goals.

**In this whitepaper, we will explore:**

- Why diversifying into small business is a good move for brokers.
- A broker perspective on why small business lending works.
- A customer perspective on how small business lending helped them.
- The NAB solution: built on insights, empowerment and trust.

<sup>1</sup>Australian Bureau of Statistics, Counts of Australian Businesses, including Entries and Exits, Jun 2012 to Jun 2016 (Note, small business is defined as employing fewer than 20 people.)

# WHY SMALL BUSINESS *is a smart choice*

Brokers operate in an increasingly competitive market and must differentiate themselves both from banks, other broking businesses and new disruptors entering the market.

Developing a small business lending offer is a way brokers can stand out, increasing their value proposition beyond just residential loans.

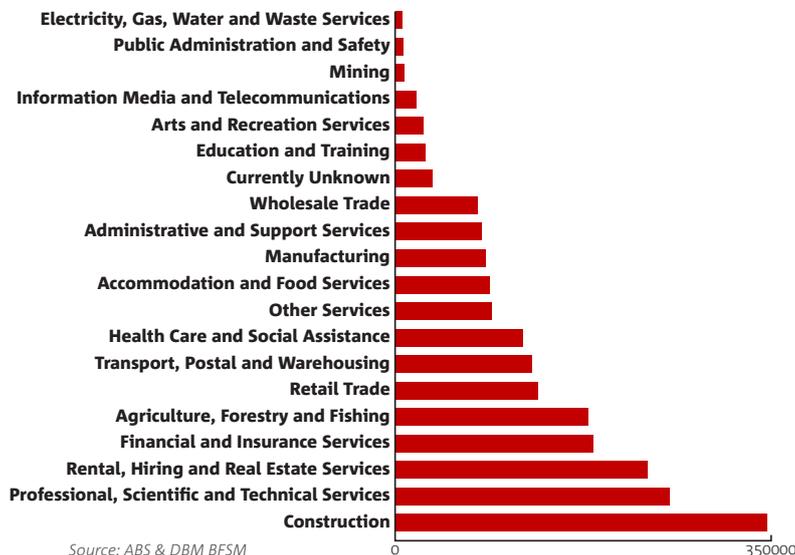
## A natural first step

Small business lending is a great first step for brokers who want to diversify their business as many are already writing loans for self-employed customers, or managing their customers' asset and equipment finance needs.

These customers are likely to have small business lending needs, and by being able to help on this front too, brokers can deepen the customer relationship and enhance their position as a trusted advisor across the lending spectrum.

The numbers we are seeing in terms of small business lending growth are impressive, and currently 57% of Australia's GDP is generated by small to medium enterprises. With approximately 25% of all applications coming to brokers from customers that operate small businesses, there is enormous scope

## NUMBER OF AUSTRALIAN BUSINESSES



## AUSTRALIAN SMES *are optimistic*

- 80%** Feel optimistic about their business.
- 71%** Believe Australia is a great place to have a business.
- 65%** Are confident that Australia will be a great place to run a business in the future.
- 69%** Believe that if you have a great business idea, you can be successful in Australia.

for brokers to grow their involvement in this field, as customers demand a more diversified lending solution.

With this in mind, brokers should feel confident they are well positioned to speak to their customers about small business lending. There is a natural affinity brokers can generate between themselves and their customers when it comes to small business lending, as most brokers are small business owners themselves.

## AUSTRALIAN SMES *have plans to grow*

- 68%** Expect revenue to grow over the next years.
- 65%** Expect profitability to grow over the next 3 years.
- 45%** Intend to expand their business over the next 3 years.
- 1 in 10** Remain in a constant state of expansion.

Source: NAB, 'Moments that Matter' whitepaper, June 2017 <http://business.nab.com.au/part-1-moments-that-matter-understanding-australian-smes-24841/>

## By the numbers: a growth opportunity

Our research<sup>2</sup> has shown that small to medium enterprises (SMEs) are optimistic, with 73% feeling successful in their own business. Growth and expansion are firmly on their agenda, with almost half (45%) intending to expand their business in the next three years. Furthermore – one in ten remain in a constant state of expansion.

The outlook for revenue and profitability also assumes growth – the majority expect revenue (68%) and profitability (65%) to grow over the next three years. The growth mindset ramps up among millennials, with 66% intending to expand their business over the next three years, compared to just 40% of other SME owners.

Clearly, small businesses are a sector on the move. These statistics show the opportunity for brokers to reach out to small business owners, and to grow their own businesses by helping small business customers grow theirs.

<sup>2</sup>NAB, 'Moments that Matter' whitepaper, June 2017, <http://business.nab.com.au/part-1-moments-that-matter-understanding-australian-smes-24841/>

# A BROKER *perspective*



Expanding into commercial lending can be challenging, but with the right help, it's well worth the effort, says **Carlo Di Giovanni**, director of CDGFinance, a residential and commercial brokerage in Melbourne.

**Q** Tell us about your journey into business lending.

**A** When I first started in the broking industry, I started writing small business loans on a small scale, but found that it took almost double the time to write a small business loan as it did to write a residential loan. So, I mostly focused on residential deals and only dabbled in commercial. Thirteen years on, the commercial side has grown significantly, especially in the last three years. Now, about 60% of our business is residential and 40% is commercial.

**Q** Tell us about your business clients and the kind of loans you provide to them.

**A** In the commercial lending space, 60% is for sub-\$1 million loans, or small business loans. Our clients are predominantly self-employed.

**Q** Has business lending become any easier over the years?

**A** Commercial lending is still challenging, but some banks, like NAB, have made it easier. The standard process of writing a business loan used to take up to 10 hours of touch time with the client, bank and BDM. Now, NAB's Pre-qualifying Tool, has significantly reduced the amount of time spent on the application.

**Q** How does NAB's Pre-qualifying Tool help to cut down the time you spend on business loans?

**A** The Pre-qualifying Tool simplifies the application process. It incorporates serviceability requirements and security. It tells you which questions to ask and gives you space to write commentary on the client's background, financial conduct, purpose of loan and statement of position. It means that all the information can be contained in the one document and provided to the NAB banker with the required supporting documentation.

**Q** Besides saving time, does the Pre-qualifying Tool help in other ways?

**A** Time savings are a big factor in what makes this tool so beneficial, but it also helps give me the confidence of putting up a deal because it pre-qualifies the information I've put into it. It's not an approval but the tool informs you whether the deal you're proposing meets NAB's qualifying criteria. It is an efficient process that saves me time and gives me the confidence the deal has met the set criteria.

# A CUSTOMER *perspective*



A customer with complex borrowing needs was helped by an ‘out of the box’ solution from NAB when other lenders couldn’t assist, says **Peter Bennet**, wealth manager, Yellow Brick Road Wealth Management, Hervey Bay.

**Q** Tell us how your client was helped by NAB’s business lending solution.

**A** My client, who runs a small local printing and publishing business, wanted to move into a new home where he would ultimately retire, while also developing his business to provide some income into his retirement. At the same time, he needed to restructure his existing business lending to make sure it was more in tune with what his business needed.

The client had been to their original bank and they hadn’t been offered a viable solution. When they came to me, I went through NAB small business and immediately they were thinking outside the box on how to make it work.

**Q** What was the outcome for the client and was he happy with the result?

**A** The client was happy that he was able to achieve his goal, which he may not have done elsewhere. He’s in his new home, and we’ve managed to structure his lending in a more appropriate manner, with his business and personal finances more clearly delineated, putting him in a better position to reduce debt over a period of time.

**Q** How did NAB’s approach differ from other lenders?

**A** Other lenders had concerns about servicing but NAB could see the potential of the business. The customer has made some recent improvements and had a plan to further strengthen the business by moving more into digital publishing.

The good thing about NAB was that they looked at the current management figures and took on board advice from me as the broker as well as other experts such as financial planners. Because NAB was willing to go this extra step, it meant we were able to progress the case and work towards an outcome. This was so rewarding, because we had hit a number of brick walls with a lot of other areas and couldn’t find the solution.

# A SOLUTION BUILT AROUND

*insights, empowerment, trust*

So far in this whitepaper, we have unpacked why brokers should diversify into small business lending. At NAB, we have also worked on the ‘how’: developing a strategic solution to help brokers diversify into small business lending, based on generating insights, empowering brokers and building trust – both between NAB and brokers and between brokers and their customers.



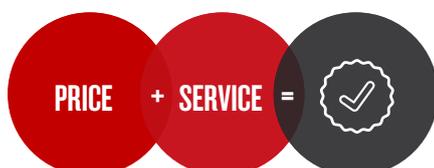
## Insights

To build a small business solution that best met broker needs, we firstly set about speaking to a few brokers about their small business lending experiences, both with NAB and other lenders. We asked these brokers what they wanted in a small business lending solution.

We gained valuable insights into broker behaviour, emotions and experience with small business lending and we used this feedback to design a proposition that would tick all the right boxes. Many lenders could be quick to produce a solution without going through this critical step of speaking to brokers, however, as brokers will be on the front-line delivering the offer, we recognised the importance of asking for their input and shaping our solution based on their feedback.

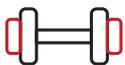
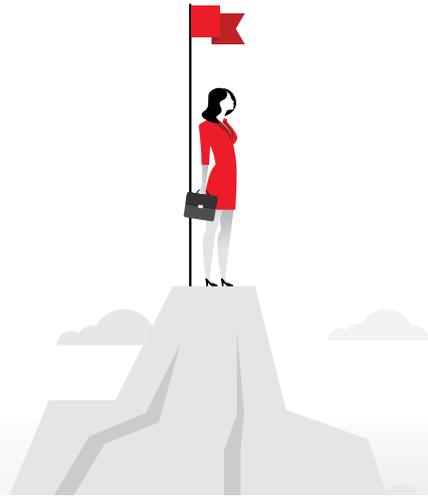
The key insight we received was that, for brokers, a market-leading offer isn't necessarily just about the product or price or service – rather, it is a combination of these factors, as well as being empowered by the lender to speak in an informed way about the product and the credit approval process.

With these insights, we set about designing a solution to address the problems commonly experienced by brokers during the small business lending process.



# A SOLUTION BUILT AROUND

*insights, empowerment, trust*



## Empowerment

### New Small Business Offer

Through the renewed small business offer, brokers will have access to a range of tailored, flexible products designed for loans up to \$1 million. This includes the NAB Business Options Loan, NAB Business Markets Loan and a range of equipment finance. We have customised these products specifically for the broker channel, ensuring they are standardised, simple and easy to understand for brokers and their customers. We believe this makes our products particularly suitable for brokers looking to newly transition to business lending from purely residential lending.

### Small Business Toolkit, with Market-Leading Pre-qualifying Tool

The new small business toolkit is designed to help brokers better understand their customers' businesses and have informed conversations about business lending products.

It includes a market-leading Pre-qualifying Tool that assists brokers to gather all relevant customer information required to submit a small business application. Once completed, the tool then tells brokers whether an application would meet NAB qualifying criteria for the relevant facility.

This isn't an approval but it helps brokers provide customers with clarity from the get-go around whether their loan will meet NAB's qualifying criteria.

It gives brokers confidence in the questions they've asked and the application they've prepared.

The Pre-qualifying Tool also empowers brokers by increasing their chances of a two business days' application turnaround. The Pre-qualifying Tool is the same as the credit-decisioning tool we use internally, so if the broker does a great job using the tool up front, we can expedite our internal processes and facilitate a faster time to approval.

The transparency of the tool is another highlight. If there are any challenges with the application, the broker has access to the same information as the lender and can have complete oversight of where any issues may be.

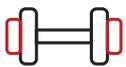
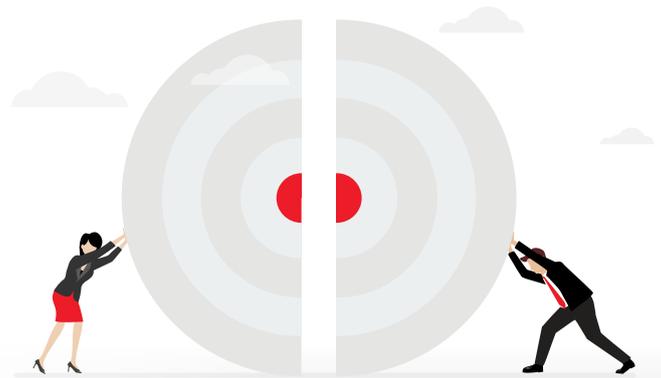
When we ran our pilot program with a number of brokers, we received very positive feedback about the efficiency of the process that the Pre-qualifying Tool gave them. For brokers expanding from residential lending to small business lending, the tool helped them to take their first step into diversifying their product offering.

For experienced commercial brokers, the tool provided an added benefit on top of what they already knew, as it either reinforced their thoughts or provided added certainty and confidence during the process. It also made the application process much faster by eliminating the need for a credit memorandum and a debt servicing table.

The tool-kit also includes a Customer Conversation Tool that helps brokers have productive conversations with their customers about their business lending needs. During our research, many brokers told us they needed help with having those conversations with their customers about their needs beyond mortgages. The customer conversation tool explains what brokers need to be asking and how to best structure the conversation.

# A SOLUTION BUILT AROUND

*insights, empowerment, trust*



## Empowerment

### Specialist BDM Team

We have a specialist team of BDMs to assist brokers with small business lending. A knowledgeable BDM is an invaluable resource for a broker, and we currently have 17 managers positioned around the country, building relationships and helping brokers on the ground to get started on small business lending and provide training on the new tools we have developed.

### Dedicated Business Banker Team

While competitors use bankers from the proprietary channel to manage broker enquiries, we have created a dedicated small business banking team that solely supports brokers with their applications.

We built this team based on broker feedback that a relationship with a banker could be almost as important as their relationship with BDMs, provided the banker had the right amount of experience and capability.

We currently have 20 experienced business bankers dealing with brokers, and we are looking to grow the team further. These bankers have full credit approval authority for the residential and business lending needs of small business customers, and are a single point of contact for brokers.

### Streamlined E-Lodgement Process

When we spoke to brokers, we discovered that one of the major pain points for them was having to do dual applications – one for a business loan and one for a home loan – when they are servicing clients with complex needs.

Brokers told us that when they currently complete a home loan, they use the data in their CRM to start to pre-fill an electronic application form. If that same customer also has a business lending need, they need to fill out a paper-based application form, providing all the same information again, and email it to the lender.

The brokers also told us that they don't like having to email their business lending application through as they don't know exactly where the application is going within the organisation and have no visibility on the status of the application once it is lodged.

NAB is delivering a digital solution that will solve these problems. This new innovation will be progressively delivered to the market later this year.

# A SOLUTION BUILT AROUND

*insights, empowerment, trust*

Through our specialist business bankers and BDMs, we aim to build trust with our brokers that NAB is the lender best placed to support them through the loan process.



## Trust

The fast approvals and strategic advice the support teams provide will help brokers build trust with their customers as they will deliver exceptional service and facilitate a smooth lending experience.

The offer has only just launched, but we are already getting some great feedback from brokers, including a phone call at 8pm one night from an excited broker saying the mortgage broking industry has never delivered anything like this before.

It's great to see such a positive reaction as it indicates we are successfully becoming the trusted partner for brokers' small business needs.

We are committed to ensuring our small business offer will be a market leading, broker-centric success story.



# WITH YOU EVERY *step of the way*

Given a quarter of brokers' current customers own small businesses or are self-employed, the next step for brokers wanting to grow their business is to start focusing on small business lending as well as residential lending.

Small business lending offers a fantastic market opportunity. While big companies and corporations borrow large sums of money, it is SMEs and micro businesses such as sole traders that make up the vast majority of Australian businesses and SMEs account for the biggest share of the business lending market.

Diversifying into small business lending can help brokers not only grow their business but to service more of their customers' financial needs and deepen customer relationships. Increasingly, customers are looking for advice across a broad spectrum of financial products, not just their mortgage. To be successful, brokers will need to put the customer at the centre of everything, understand the customers' full needs and to address those needs. This comes down to brokers ensuring they have a range of products on offer to address the holistic financial requirements of their customers.

We believe that business lending is the biggest opportunity that brokers will have to grow and develop their business over the next few years.

We also recognise that making the shift into business lending can be a big step and daunting at times. That's why our campaign is about simplicity. We're empowering brokers to transition confidently from residential mortgage lending into the small business space. We've got a range of products, services and a streamlined process that allows them to easily operate in this growing marketplace.

All this is testament to NAB's concept of "broking for life", which celebrates the meaningful impact that each broker makes throughout the customer's life journey.

As brokers move into this new area, or expand an existing small business lending book, we'll be beside them every step of the way – guiding them through the nuances of the small business landscape, and ensuring it's easier than ever for brokers to help their clients achieve their business ownership dreams.

# 25%

of brokers' customers own small businesses or are self employed

At NAB, we recognise that lending is more than just a series of deals, and life is about more than money. Lending is about real people making life-changing decisions. We strive to be there for brokers and their customers at all stages of the home loan journey and beyond. As a result, we've developed a campaign to help brokers diversify and grow their businesses by helping their customers grow theirs.

NAB is Australia's biggest business bank and each year we provide more loans to companies and small business operators than any of our peers. In 2017, we are committed to ensuring our expertise as the market-leading business bank is available through the mortgage broker network.



**Steve Kane**  
General Manager, NAB Distribution



**For more information about NAB's small business lending package, contact your Small Business BDM.**

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