The small business finance opportunity

HOW TO BUILD A NEW CUSTOMER BASE AND REVENUE STREAM

In partnership with prospa
Contents

The small business opportunity 03
7 steps to creating an SME customer base 05
Case study: Chris White, Whiteroom Finance 09
Community action: a goldmine of new clients 11
Case study: Mhairi MacLeod, Astute Ability 13
Customer retention activities that work 15
Case study: Todd O’Neill, Xenium Group QLD 18
Marketing resources you can use now 20
Brokers who are already working with residential clients, may likely have more business owners and sole traders among their client base than previously.

That’s possibly a significant number of people with whom you already have a relationship, who may be looking for help accessing business finance. And if they find that help from you, you become more important to their financial lives – increasing their loyalty to your brand.

Brokers who offer a wide range of services may not only benefit from revenue growth due to cross-selling opportunities with current clients, but could also benefit from increased referral business: after all, when customers are well looked after and see the value in engaging more with you then they’re more likely to recommend you to others.

Of course, thinking about introducing small and medium enterprise (SME) lending into your business is one thing and doing it can be another challenge altogether. It’s not something that should necessarily be undertaken lightly because, while current residential clients can potentially form a solid starting base, the challenge can be building a broader field of prospective SME clients.

So, how do you go about building that network of potential SME clients and doing it in a sustainable and manageable way? That’s one question we look to uncover in this eBook.

To become that trusted adviser and essential long-term partner for SMEs, it can be important to understand their challenges and what they need from their broker.

According to recent RFI research commissioned by Prospa, the most common challenges SMEs face are dealing with the impact of COVID-19, growing their revenue and managing cash flow.

Prospa’s experience of working with thousands of SMEs across Australia and New Zealand has shown that one of the hallmarks of a successful business is their ability to manage cash flow.

At 30 June 2021, there were 707,970 sole proprietors in Australia, 699,623 businesses with 1-4 employees, and 230,633 businesses with 5-19 employees. The number of businesses in Australia had increased by 3.8% in 2020-21.¹

²RFI Research commissioned by Prospa was conducted in May 2021 on a sample of 500 SME business owners with an annual turnover of up to $20m.
Access to credit is often a key component of that cash flow management strategy. It can enable businesses to focus on opportunities to grow revenue, rather than passing up opportunities due to a lack of cash, and helps them manage their cash flow effectively.

However, only 39 per cent of SMEs surveyed agreed that credit is a good way of managing business cash flow – and for those that don’t consider using credit, the opportunity cost can be huge. According to research, cash flow-related challenges in Australian SMEs have an annual opportunity cost of $37.5bn.

By being able to provide credit to those SMEs, you could help them to pursue their strategic objectives to achieve business growth. And, those brokers who can educate small business owners about the funding options available to them – and help them access the right type of funding at the right time – can potentially make all the difference.

Getting started can always be a big hurdle to jump, of course, which is why the MFAA and Prospa have put together a practical guide to help you build some solid foundations in the world of SME lending.

In this eBook, you’ll discover tips for how to build and evolve an SME customer database, use community marketing and network groups, and useful customer retention activities.

We’ll also hear from three MFAA members who’ve been there and done it – including their key tips for getting small business finance right.
7 steps to evolve an SME customer base

By engaging with current clients and attracting new prospects you can begin building a quality SME customer base.
1. Review your database

First things first – you could start with your database. Review it in your CRM system and you may be able to identify people who are small business owners or whose partners are small business owners, so that you can send communications to a segment of your clients – for example to SME owners or sole traders. You may have this information in your system for clients you’ve helped secure residential finance for previously, or prospects who’ve opted in to be contacted but you have not reached out to yet. Their circumstances may have changed since. Conduct some research to understand their current situation – for example LinkedIn could help you fill in some of the missing pieces. Then update and tag each client appropriately in the CRM, and check they have not unsubscribed or opted out of communications. It is your obligation to comply with relevant spam and privacy laws. You’ll need to carefully consider your own compliance with applicable legislation and, where appropriate, seek independent professional advice before contacting anyone in your CRM.

2. Develop a marketing plan

Developing a whole new customer base usually requires customer acquisition marketing – that is, marketing activity that’s going to bring new customers in. Of course, this can seem daunting, but by planning out activity over a longer period such as two years, you can commit to a manageable plan that enables you to consistently have a presence in front of prospects. The activity you undertake will usually depend a lot on your marketing budgets, but a balanced mix of social media, search engine optimisation (SEO) and email to get your prospects to your website, with a range of useful content for them once they arrive, can give you a good start.

Consider setting realistic targets for each channel – how many visitors do you expect each of those channels to garner? How many of those do you expect will become clients? If those targets are met, will the return on investment (ROI) make the effort and resources you’ve committed worthwhile? You can then measure how each channel is doing against those targets to identify what’s working well for you and what’s not – and adjust your plans based on those results.

If a channel is not creating an ROI you are happy with and it doesn’t have strong future prospects of doing so, you could consider investing elsewhere, including offline activities – sponsoring a local club or doing a letterbox drop in the area can be great ways of increasing your presence and letting people know if you’re now doing business finance, too. A key area that works for the SME customers is community activity and face-to-face interaction, so that potential customers get to know a person not just a brand. Before you switch off marketing in some channels though, take care not to expect a single post on LinkedIn or a single email to immediately convert into clients. Anyone whose interest is piqued will need to be nurtured – and that takes time.
3. Master lead nurturing

Lead nurture strategies could be essential to guide new prospects to you across multiple touchpoints (social media, newsletters, website). This involves building compelling reasons as to why people will want to engage with you to begin with, and then trust you when it comes to business finance. In this step you’ll want to identify the pain points of your prospects – cash flow and the need for finance to grow are common – and the journey they’ll go on when considering business finance.

A few questions to ask yourself: What information can I provide them with at every stage? Am I complying with privacy obligations and do I have consent to collect any personal information? Do I have their consent before contacting them?

4. Identify and prioritise warm leads

By ranking prospects based on how they respond to your communications, you can prioritise each lead and engage with the most valuable leads in a timely manner – spending your time and resources to where they can have the greatest impact. The best way to find out what behaviours signal a warm lead is to look at the behaviours of previous prospects when they were on the journey to becoming your clients. Did they open content-led emails or sales-message emails? Did they fill out forms on your site to download resources? Or did they read on your site about the process of working with a broker? Often the leads are in key areas that you have delivered finance previously so play to your strengths.

Use these signals to identify the prospects that show signs of being a warm lead now, or close to conversion into clients, and prioritise them – whether that means sending them a quick personal email offering them an appointment or advice, or it means picking up the phone for a slightly-less-cold call to ask those qualifying questions that help you find out whether you can help them.

Digital marketing: help at hand!

Prospa has white-label marketing content available to brokers to help engage with business clients and referral partners, including flyers, simple email templates and social media assets.

Scan the QR code to find out more.

All accredited Prospa partners can request their custom-branded marketing suite. Using your company logo and colours, Prospa can customise emails, blog articles and a product page to help you generate more leads. Here’s an example of a web page, email and blog articles. All you need to do to get started is fill out your details and upload your logo using this form.
5. Embrace social media

Your social media presence could be critically important to get on the radar of prospects. If done well, it can help you stay there, too. Consider making sure your personal LinkedIn profile is up-to-date and professional; regular posting or sharing pieces of content on LinkedIn can help to maintain your presence and demonstrate your expertise. Your business might want to also have a LinkedIn profile – this is a place you can be a bit more product and sales focused. There are many local community and business groups on Facebook, and this can be a good place to share content and talk directly to small business owners, while Instagram can be a useful platform to share business tips and talk cash flow. Any time you start offering a new service, post on LinkedIn about it to attract new enquiries.

6. Fine-tune your website

The primary purpose of this part of the strategy is to build your new SME customer base. Social media can capture details directly or help guide people back to your site – and if they land on your website you will want to quickly demonstrate your credentials. Creating an awesome product page and publishing regular blog content on your site can help prove your credentials and encourage more interaction. Remember to consider including your new service offering in your search engine optimisation keywords. Business prospects may be searching for different things compared to your residential prospects.

7. Be realistic about what success looks like

It would be wonderful if you could send out a couple of emails and have a deluge of new customers the next morning, but unfortunately, acquisition marketing doesn’t always work like that. A strong strategy focuses on creating and providing interactions that help a prospect when they need it, and delivering useful content and information in a timely manner. This is a long-term play, and by establishing regular communication with prospects you can build their knowledge about good cash flow management – and the different ways of creating that – as well as the types of opportunities that some businesses let pass, and the potential solutions that could be at your fingertips.
How Chris White built commercial finance to 50% of his business

Chris White launched WA-based Whiteroom Finance in 2016, focusing on residential mortgages. With a background in commercial banking, however, he knew there was an opportunity to break into business lending, which now accounts for 50 per cent of his business.
Here are Chris’s 5 tips for business lending success:

1. Don’t rush: it’s a long game

It’s unlikely you’re going to begin offering business finance and suddenly have an influx of deals on the table because people will have existing relationships. It really is a long-term game – so it’s important to be realistic about the time it takes to establish yourself.

2. Use annual review meetings strategically

Your existing residential customer base is the best starting point for developing your business client base, and annual review meetings offer an ideal chance to identify opportunities and leads. Frame your questions around the home loan – for example, check what facilities they currently have for their business because of the impact a refinance may have, and then encourage them to talk to their bank or broker to get a better deal. If they can’t, there’s an opening for you. If they can, you’ve built long-term trust and proven your value. It’s important to build that trust without undermining their current relationships.

3. Build relationships with potential referrers

Referral partnerships are a great source of new clients, and we’ve got partnerships set up with accounting firms, business consultants and businesses in the industry. Build the relationships and if appropriate suggest a referral agreement.

4. Be visible

To attract new direct clients, it pays to be visible. If I had my time over I’d spend a lot more time on social media – joining local groups, letting people know we can help them, and just engaging in conversations. We spent money on paid advertising online and had limited success – it’s actually only now we’re seeing that work as a tactic for us. In addition to online, be visible in the local community – joining your chamber of commerce, for example, can be valuable. Remember, you’re there to build relationships, not sell.

5. Have a delivery strategy

For any broker who’s entering commercial lending, it’s important to ensure you can deliver. Focus on a particular area to begin with, for example asset finance or unsecured business finance, and find an experienced commercial broker who can be a sounding board for you – the advice they can give you, particularly around solutions, will be invaluable.
Community action: a goldmine of new clients

Your local community can be a great source of potential clients, and by being visible in your local area and supporting local initiatives you can build goodwill and drive business. Over a period of time, the compounding effect of regular community activity can be significant – and beneficial to your profile and your business.
Here are 6 ways you could get involved and build your profile in your local community:

1. Get involved with local business groups

Every town or city has business networking groups – including the local business chamber – which you can usually track down online. These groups are a great opportunity to find new prospects, as well as make strong relationships with potential referrers, too.

2. Volunteer!

By giving your time to some local events or sports clubs you can build up goodwill – as well as making new connections in the community.

3. Sponsor a local club

While shirt sponsorships for a local club or team can cost a bit of money (it’s usually the cost of a new set of strips) it’s an investment that could reap dividends. Not only will you get your logo on the team’s shirts every game, you could also negotiate some social media exposure (for example, getting the team to tag your business in a score update every week).

4. Local newspapers

Many communities have local newspapers and magazines that are distributed around the area free of charge, or available to be picked up in local stores. Usually, for a small fee, businesses can either advertise or provide expert content – and it’s the latter that can offer brokers huge opportunities. By writing a business finance column every issue, for example, you could provide useful information and reinforce relevant expertise every time a new issue is published.

5. Dish out the flyers

Old school, maybe, but having some flyers promoting your business that you can leave in shops and other businesses in the area can be worth their weight in gold. Of course, you usually need to form relationships with other business owners first, but having that continual visibility around the place can help to keep you front of mind.

6. Become an active referrer

Community networks are a two-way street. By forming relationships with other businesses in the area, and doing your bit to support them too, you could reap the benefits over time. By actively referring other businesses to people who can use their services, you could build up a referral network that others might be keen to deliver on. Referral partnerships with businesses such as accountants, real estate agents and business advisers can often be a more formal and potentially profitable arrangement.
Over the past five years, equipment finance broker Mhairi MacLeod of Astute Ability on the Central Coast of NSW has established a strong niche in her brokerage: equine services. This now accounts for more than a third of her business.
“Every year I sit down with my staff to brainstorm, and we identify sectors in business that aren’t getting the love from finance brokers,” Mhairi says. “The sectors that need business, equipment or asset finance beyond a personal loan or adding to a residential mortgage.”

Mhairi proposed the idea of financing horse floats, thinking of families buying their kids ponies.

“It built on from that,” Mhairi says. She and her team explored the opportunity by thinking beyond the horse float.

“One staff member said, ‘Maybe a tow vehicle’. Tick, that was on my list. So we went from advertising for $15,000 horse floats for the kids’ pony club to branching out into big four-wheel drives to tow these floats,” Mhairi says.

Ultimately, Mhairi and her team had ambitious plans. They drilled down into the equine industry to map the opportunities, built their knowledge of the industry to ensure they could have informed conversations with potential clients, and positioned themselves as the industry’s finance partner by advertising alongside their prospects in trade publications.

“Businesses in the equine services industry thought that they had to stick with the major banks – they don’t. As brokers we found lenders that will finance running machines and large horse floats – those big pieces of road machinery with pop-out out tack rooms, beds and kitchens, which are worth $250,000-$300,000.”

Mhairi and her team identified equine services by studying the demographics and interests of their current client base – and that niche has since been developed as an area of specialisation.

The Astute Ability team considers the following three elements critical to its creation of a strong business stream:

1. **Staff knowledge**
   You need to know the ins and outs of an industry if you’re going to get involved in it, so putting the time in is important.

2. **Understand your audience**
   You need to play where they play, so attend the events they attend, and advertise in the places they get their information from. For Astute Ability, Horse Deals magazine in print worked wonders.

3. **Communication is key**
   Mhairi and her team picked up the phone and introduced themselves to anyone and everyone in the sector. While email introductions can have their place, she believes person-to-person contact is vital.

Mhairi offers the following tip for anyone entering a new niche: always ask what is behind a product – who built it, who supplied it, what are the components to make it? You’ll always find another area within that niche to explore for opportunities.

“Businesses in the equine services industry thought that they had to stick with the major banks – they don’t. As brokers we found lenders that will finance running machines and large horse floats – those big pieces of road machinery with pop-out out tack rooms, beds and kitchens, which are worth $250,000-$300,000.”

Mhairi McLeod, Astute Ability Finance Group
Customer retention that works

While acquisition marketing focuses on getting new customers, retention marketing is designed to keep them. Acquiring a new customer usually comes at a cost – so, once you’ve got them it’s smart to maintain relationships.
CUSTOMER RETENTION THAT WORKS

Of course, SME clients aren’t necessarily going to be coming back every week for new finance to invest in new stock or smooth over cash flow, but they could need help on multiple occasions each year – and in that respect they could provide far more regular business than your residential customers are able to.

Here are 6 proactive steps to help you retain your clients, without having to wait for them to come to you.

1. Build a full-service offering

Your clients might come to you for one reason, but if you can offer other related services as well you’re potentially giving them more reasons to engage with you on a more frequent basis. Not only that, but you’re helping to make your business indispensable. From accounting and bookkeeping to financial advice and real estate via small business consultancy, there are a number of different services you could consider building into your business to deepen that relationship.

If you’re growing your business, this is a different lens to look through, too. Rather than growing by adding more brokers to take on more clients, could you consider adding more services for your existing clients instead? It’s another diversification strategy that could help build even firmer foundations.

2. Maintain regular contact

Just as you might want to consider maintaining regular communication with your prospects, you need to consider the communication channels with your regular clients too, albeit likely in a different way. A monthly phone call or email to check in can help to keep those communication channels open, while a client newsletter with some business-related information plus some personal content from you, could help keep you front of mind, strengthen the one-on-one relationship and add some value, too.

3. Talking about adding value...

This is a key driving question behind all customer retention activity – how can I add value? Sharing business tips, talking about what’s going on in the market and offering helpful advice all have the potential to add value to your clients’ lives. They may have come to you initially for a home loan or business finance, but why are they going to stay with you rather than go to another finance provider in the future? It all lies in the relationship you establish, and what you can provide them outside of the transactional.
4. Referral gifts and rewards

If a new client comes to you off the back of a referral from an existing client, you might want to consider acknowledging the referrer. A simple gesture – flowers or a bottle of wine, for example, could go a long way to say thank you and reinforce their value. You could consider extending this from referrals to loyalty, with small rewards on customer anniversaries or milestones, or for opening your monthly newsletter. Again, usually no one’s expecting a new car, but a small token of appreciation can go a long way.

5. Hold events

This falls into the ‘value add’ category, but it can be what retention is all about. Hosting events for clients is potentially another way of deepening the connection and relationship you have with them, while also facilitating a broader networking opportunity. A monthly or bi-monthly event (in person preferably or online if not possible) during which you share some small business tips – as well as a glass of something cold and a few nibbles – could add tremendous value. You could invite a client to present on their business for five minutes too to offer even more value, while if you want to tie in some acquisition activity you could make each invitation a plus-one. Who knows how many prospective clients you’ll get walking through the door?

"A simple gesture – flowers or a bottle of wine, for example, could go a long way to say thank you and reinforce their value."
Retaining SME finance customers is of paramount importance to Todd O’Neill, Director of Xenium Group Queensland. And he says that establishing yourself as an integral part of your clients’ business is fundamental to ensure they don’t look elsewhere.
“If you can look after the working capital of a business, then you have the authority to ask for all other business, because you understand the cash flow,” he says. “After they’ve told their story once, you understand their business, and they don’t really want to start telling someone else.”

Being front of mind can be vitally important to keep clients coming back, and that’s why Todd sends out regular and consistent communications to his database.

“It doesn’t have to be wonderful, in-depth content every time, just a reminder you’re there, that you do vehicle finance, equipment finance – being front of mind is essential.”

Todd has established referral partnerships with accountants, real estate agents and financial planners, and new clients come solely from these sources.

Retaining the referral partners, therefore, is critically important – lose one, and you’ve lost 2000 clients.

“It’s easier to put on events, lunches or training seminars for 12 referral partners than the whole client base,” says Todd. “They’re coming across more clients every day than we could possibly target through advertising, and those relationships are tremendously important.”
Marketing resources you can use now

Get started on building your SME customer base responsibly by exploring Prospa’s range of drag-and-drop white-label marketing resources:

prospa.com/accredited-partner-resources

Sign up here for your custom branded marketing suite available as a complimentary service to accredited Prospa partners.

For more information, call one of Prospa’s BDMs directly or reach out to Prospa’s support centre:

T: 1300 964 808
Email to: partners@prospa.com
prospa.com/partners

MFAA has a range of free services that can help you build or enhance your SME customer base. These include:

- Free marketing consultations to improve members’ marketing effectiveness
- Social media marketing e-book with real broker examples
- Free webinars and education to achieve CPD hours
- Paid commercial and equipment finance training to learn from top coaches and brokers
- School education resources to build community literacy and business skills.

DISCLAIMER
The information in this document is provided for general information only and does not take into account your personal situation. Nothing contained in this document constitutes advice or an endorsement or recommendation of any kind by Prospa. Any links to third party websites are strictly for informational purposes only. You should consider whether the information is appropriate to your needs, and where appropriate, seek professional advice from financial, legal and taxation advisors. Although every effort has been made to verify the accuracy of the information as at the date of publication, Prospa, its officers, employees and agents disclaim all liability (except for any liability which by law cannot be excluded), for any error, inaccuracy, or omission from the information for any reason, including due to the passage of time, or any loss or damage suffered by any person directly or indirectly through relying on this information.
This Guide contains general information and provides a summary only. The information contained in this Guide does not constitute financial, legal and/or tax advice, and is current as at October 2021.