

COVER STORY

BEST OF BREED

Prospra's co-founder and joint CEO **Beau Bertoli** tells *Australian Broker* why the banks have more to worry about than his trailblazing fintech, and about the opportunities that are waiting for brokers on the commercial side

IF THERE WAS ever going to be a fitting name for a company whose purpose is to make Australian small businesses thrive, it would be 'Prospra'. The brainchild of co-founders and joint CEOs Beau Bertoli and Greg Moshal, the four-year-old fintech has, without a doubt, pioneered the alternative SME lending space, having already lent more than \$200m and continuing to stand head and shoulders above the increasingly crowded Australian fintech space.

But competition is nothing to be worried about, according to Bertoli, because competition is what pushes businesses to make better products – and at the end of the day, providing better products and better solutions for the two million small businesses around the country is the whole point.

"One of the things Prospra's done over the last few years is build the category awareness ... the reality is that the customer acceptance of the fact

"We've actually said to ourselves, 'How can we be of value and help these partners of ours come on this technology journey that's going to revolutionise their business in a couple of years?'"

that you don't have to go to a bank to borrow money has now become almost mainstream," he tells *Australian Broker*.

The average loan size for a customer at Prospra is \$25,000, and the average loan term 10 months. This is in stark contrast to the large commercial loans and terms you would find at the banks.

"In Australia we have a situation where the big banks have never lent to small businesses, and in fact they define what we call 'small business' as a 'micro business'. And as a result of that we've got two million small business owners in Australia and the vast majority have never had a financial solution," Bertoli explains.

So it's no surprise that Prospra is, well, prospering. The market has been ripe for disruption for a long time, and Prospra is delivering. But they're not doing it alone. Eighty percent of Prospra's customer referrals come

via third party partners, mostly made up of finance brokers.

"We're very much a channel partnership business, and that's by design," Bertoli says. "We've always believed that small business owners have networks of people they work with ... and we want to work with those partners and enable them to provide products to their customers. And over the last four years we've seen a massive evolution in technology, so it's gone from just the provision of product to actually trying to help these finance brokers," he says.

Making the cut

As co-founder of a company that recently made number 31 in the 2016 Fintech 100 by H2 Ventures and KPMG – the highest-ranking Australian-only business – there's no doubt Bertoli knows what he's doing, and so when

he stresses numerous times throughout his interview with *Australian Broker* that brokers must evolve or perish, so to speak, one is inclined to listen.

"The [brokers] that aren't adopting and embracing technology, so for example the ones that don't even have a website, won't even exist three or four years from now," Bertoli says.

This is a scary thought for many brokers, but Bertoli has a point. The percentage of finance brokers who don't have a website sits at 40%, according to research conducted by the SME lender, and there's no denying that people are spending more and more of their precious waking hours online – and researching to find service providers.

For this reason, Prospra is focused on assisting brokers in their technological education and growth. "We've actually said to ourselves, 'How

can we be of value and help these partners of ours come on this technology journey that's going to revolutionise their business in a couple of years?' So we've done things around educating them about this change that's happening," he says. "Don't just diversify for the sake of diversifying, but know what you're diversifying into and why."

And the reasons for diversifying into SME lending should, by now, be pretty obvious. "[Brokers can] have a look through their customer database and what they'll find is that a very high percentage ... of their current customers are most likely self-employed sole traders or running their own business, and just because you provided a million-dollar mortgage for them to buy a house or investment property doesn't mean you can't have a conversation about their commercial financing requirements," he says.

It all comes back to profiling your clients, according to Bertoli, and finding "more hooks into your customers".

"It's a very easy conversation," says Bertoli. "You've helped them once; you've got that trusted relationship – now serve them in another way." Every business in the next year will require some sort of finance, he says, and "you may as well be that person".

The importance of education

Like any lender, Prospra offers broker partners an upfront and trail commission component of between 1% and 4%, depending on the product the customer is taking with each loan. But Bertoli is more interested in talking about what Prospra is doing differently – namely, educating brokers on SME lending and utilising technology.

Prospra's broker education is "pretty sophisticated", he says, with a diverse training offering that ranges from structured, topic-led webinars including those featured on the MFAA's website, to education on technology and the importance of having a Web presence, to the use of social media such as LinkedIn and Facebook. The fintech's nationwide business development managers also conduct over-the-phone as well as face-to-face training in brokerages, and attend PD days and conferences in all states.

He believes the customer is, rightly so, at the centre of any financial services business, and that



Beau Bertoli and Greg Moshal, co-founders and joint CEOs, Prospra

is where the fintech's focus will always be. No matter how good the broker commission is, he says, if you're not adding value to the client they won't stick around.

"We're not about having a one-product sale and paying one big nice rebate and ... that's kind of the end of it. We look at a customer's lifetime, and we're trying to build products and solutions that work for us and the customer, and by virtue of that, the partner in the long term," Bertoli says.

This relationship driver is what has led to Prospra's retention rate of 80%.

"Work with Prospra, you'll make some commission up front, but then we'll work with your customer through their lifetime to support them and their financing needs," says Bertoli.

"[For customers,] we fuel your ideas, we give you an easier and affordable way to access the finance, and for the partner we take away the pain of their typical experience with a finance company ... We're very much about the service level we provide to them every bit as much as to

the customer."

The threat of fintech

The threat of fintech that has been looming over the banks for the past few years is no longer something that can be ignored. But Bertoli doesn't see this threat as coming from a single company such as Prospra. "They're not under attack from a few players; they're under attack from hundreds," he says. "And it just so happens that some of those players have bigger balance sheets than the banks."

Bertoli is referring to conglomerates like Facebook, Apple, Amazon and Paypal, all of which are in the process of rolling out working capital products for small businesses.

"So the banks aren't just under attack from the fintechs; they're under attack from 'the bank of tech', he says, and the best strategy for these incumbents is partnerships. Prospra itself is currently enjoying a partnership with Westpac, and all of the major four banks have deals with

burgeoning game-changer fintechs, as well as tech incubator launchpads.

"The smartest banks, I think, will get the partnership model going quickly so they can test and figure out what works and what doesn't work. And then over time they'll buy the right ones up," he says. "Some of them are now starting to think, 'Well, wait a minute, we don't have to build everything; we can partner with the best of breed of companies and then plug them into the right tech layer to our customers.'"

As for Prospra's grand plans, Bertoli says the company does "have one eye on overseas certain markets", but in the shorter term brokers and customers can look forward to the launch of a new invoice financing product, InvoiceNOW, currently in beta mode and designed to take the pain out of invoice financing.

"We're working with different partners to work out how to take this product to market, so watch this space over the next 12 months," Bertoli says. "That's going to be a key product for us." ■