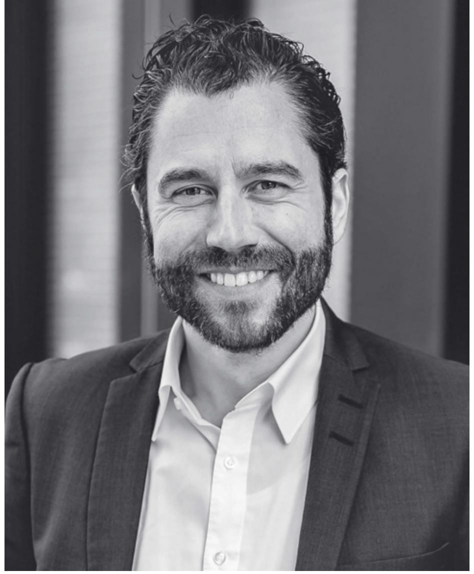
Insideview

Is Platform Lending Just a Flash in the Pan?

INTERVIEW WITH STEFAN FENNER



Dr. Stefan Fenner
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Lending platforms are on the rise. Even though the platform-idea is not new, they finally seem to make their way within the last two years. Why now?

First of all, the most critical hurdle for a platform is to be on the market in the second the client behavior is ready for a change to a digital solution. While exactly hitting this point seems almost impossible, staying power paired with an absolutely deep conviction is the key to success. We see b2b digitization moving much faster right now, driven by the pandemic, but also a deeper trust transferred from positive digital b2c experiences that is bringing more traction to lending platforms in Germany.

Is that move to platforms sustainable or just a flash in the pan?

I am convinced the high level of standardization on the one hand and fragmentation on the other hand provide the basis for public-sector lending platforms to be successful. Current environment works as an accelerator and enables the playing field to convince clients that platform lending is beneficial for all participants in the value chain and that's the trigger we have been waiting for. I believe, we will see some fast developments within the next 12 months in most lending segments.

Do you also see a wave of consolidation coming up?

As platform markets are in some respects often a "winner takes it all" model, I think we will see various consolidations within the next 12-18 months. Looking at consolidation, ownership structure is a central trigger. FinTechs that are backed by venture capital and are not in a dominant position, will eventually face trouble in their next financing rounds as market maturity is, at least in some segments, in a later stage now. This will definitely support a more sophisticated trend towards consolidation.

Public-sector financing is not known for being fancy or even digital – why do you believe it will be among the winners in platform lending?

First of all, a good platform can be fancy, but fanciness alone does not win the game. The most important thing is to address the clients' problem with a suitable digital solution. And platforms usually have two client groups whose key demands are often different: For borrowers, full market overview, best price, and a digital processing are the main drivers to move to a platform. For lenders, the best available price on the borrower side can affect the margin. So, the offer for a platform lender is the volume increase through a digital access to new clients as well as the digital process itself. At Capveriant, we see public-sector financing today as a highly intransparent and very fragmented market on lenders and even more on borrowers' side. Nevertheless, the product from a financing point of view is very plain vanilla and the volume per trade is relatively high, what makes it a perfect platform business from our point of view. As we see at least four platforms in our segment, we are very convinced that public-sector financing will move even faster to a platform like Capveriant.

Are lending platforms going to disrupt bank lending fully in long term?

The developments we have seen so far and the ones we are expecting do not look like disruption today. But as client behavior is changing and substantial volumes are moving to platforms, banks should think about how they can benefit. We as a platform are delivering digitalized processes and an easy access to new client segments directly to the door sill. All banks have to do is sign in.

Thank you for this interesting conversation.