Neil Edwards

Milk, eggs and a slice of peer-to-peer please

"…does it need to stop with financial services businesses diversifying into peer-to-peer? Could one of the major retailers – Tesco, Sainsbury or Marks and Spencer for example – enter the arena with some real firepower too?"

The entire raison d'etre of the Alternative Finance movement – indeed, the catalyst for its creation – was that the traditional banks were neither lending to businesses, nor paying decent returns to honest savers. There was a huge gap that needed to be filled while the 'Big Four' were otherwise engaged in a desperate battle for reputation and survival.

As we all know, salvation came in the form of a whole new breed of energetic, non-banking entrepreneurs who moved swiftly to occupy the space – not with orthodox offerings, but with a fresh generation of products designed to satisfy the needs of the modern marketplace: quick decisions, low costs, transparency and a welcoming smile.

Beyond their vision, what is remarkable about these entrepreneurs is that they built their businesses from scratch. They opened their doors without a single borrower or investor to their names. Now, a few years on, by dint of their marketing efforts and with all the political impetus they needed from a Government dedicated to competition and economic recovery, several have grown up fast and sassy.

But what would happen if a business entered the market that already had a seriously large customer base? Would that disrupt the disrupters?

We know that the 'big beasts' in the jungle are beginning to stir, it finally dawning on the banks that Alternative Finance is here to stay. The popular view is that the banks won't create their own platforms as it would cannibalise their income (not that it stopped them acquiring and building asset finance businesses in the past), so instead they are fast tracking their way onto the scene with strategic alliances for loans they don't want to write themselves.

Elsewhere, we hear that financial services giant Hargreaves Lansdown is going to enter the P2P marketplace in a year or so.

Why is this significant? If it happens, it will mark the entry of the first established retail financial services business into P2P. The move suggests that Hargreaves Lansdown is alive to the opportunities that exist amongst its investors once P2P finally gains acceptance into ISAs, probably later this year. The board is no doubt wagering that its customers will trust its brand with their ISA money more than they will trust a collection of other names that remain largely unfamiliar to them.

But does it need to stop with financial services businesses diversifying into peer-to-peer? Could one of the major retailers – Tesco, Sainsbury or Marks and Spencer for example – enter the arena with some real firepower too?

These businesses have already had forays into financial services, so there is little to stop them offering their customers loans and high yielding alternatives to savings accounts via peer-to-peer. The platform technology is relatively easy to acquire, and they already have the trusted brand, the customer base and all the marketing muscle they need to enter what would be a far easier race to win than that faced by the industry's pioneers.

Today's platforms will be alive to their direct competitors and they will no doubt be watching the banks' moves closely as well. But competition can come from unexpected places and it might be the High Street more than the City that poses the biggest threat to the present incumbents in the long run. While the other platforms clamour for the attention of a bank to feed their loan pipelines, maybe a shrewder move would be to open discussions with a supermarket, a telco or even a search engine to establish an affiliate relationship. Just a thought.

About the Author

Neil is a Chartered Marketer and Fellow of the Chartered Institute of Marketing with many years' experience in marketing, brand and communications. His experience includes being a Director of Marketing in The Royal Bank of Scotland Group where he was responsible for brands in the UK, Ireland and US. Those brands include: Lombard, Jamjarcars.com, Angel Trains and Dixon Motors. Entrepreneurial, creative and energetic, Neil's success has come from a pragmatic and intelligent approach to combining marketing with business needs.

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