

Horizon Research

Peer-to-peer lending and crowd equity funding

Market Outlook and Performance

2015

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EXECUTIVE SUMMARY

Updated results are now available from Horizon Research's Peer-to-Peer Lending and Crowd Equity Funding Monitor service.

A new report presents the results of two surveys with respondents from the HorizonPoll national panel, which represents the New Zealand population 18+:

- A survey of 2214 respondents undertaken between 29 July and 11 August. This survey sought the views of New Zealanders 18+ on peer-to-peer lending and had a maximum margin of error at a 95% confidence level of $\pm 2.1\%$ overall.
- A tracking survey of 2160 respondents undertaken between 19 and 26 March 2015. This survey tracked awareness and likelihood to borrow or lend through peer-to-peer lending or crowd funding organisations and has a maximum margin of error at a 95% confidence level of $\pm 2.2\%$ overall.

The updated results:

- Project the likely size and value of the country's peer-to-peer and crowd equity markets
- Deeply profile current and potential borrowers and investors,
- Track awareness of P2P lending and equity crowdfunding, and
- Compare the comparative performance of current and potential service providers.

Insights delivered by this new financial research service will be of high value to market regulatory authorities, all lenders in the finance sector and of special interest to those entering or planning to enter the market as licensed P2P and Crowd Equity Funding service providers.

Overall, the amount being sought by those who said they were definitely likely to borrow through a peer-to-peer lending service in the next 12 months is \$7.27 billion.

This research service will allow market players to maximise performance and, in the case of traditional lenders and regulators, identify risks.

Awareness:

Results show the number felt they did not know much about peer to peer lending or crowd equity funding has fallen 10% between August 2014 and March 2015 but the sector has a long way to go to lift numbers who feel "fully informed" from a base of 2.7%.

Borrowing overall:

This research profiles the 27% of adults, equivalent to 261,000 New Zealanders, who indicated they were likely to borrow money in the next 24 months, by 19 demographic criteria. It finds a further 198,000 indicating they will borrow in the next 13-24 months and 396,300 in the next 12 and 13 to 24 months.

Amounts to be borrowed are primarily either under \$15,000 or in the \$100,000 to \$499,999 range. Respondents who indicated they were **definitely** looking to borrow, regardless of the timeframe, were more likely than average to be looking to borrow in the \$500,000 to \$999,999 range and were looking to borrow, on average, twice as much as those who said they may borrow.

Borrowing through a peer-to-peer lending service:

The research identifies how many

- would “definitely” be likely and who “may” borrow through a peer-to-peer lending service in the next 1 to 12 months (237,800 adults)
- how much “definite” P2P lending service users intend to borrow

Overall, the amount being sought by those who said they were definitely likely to borrow through a peer-to-peer lending service in the next 12 months was \$7.27 billion.

The four key purposes for borrowing using a peer-to-peer lending service in the next 12 months are identified by this research.

Lending through a peer-to-peer lending service or crowd equity funding:

The research identifies and profiles the number of adults who are definitely likely and likely to lend through a peer-to-peer lending service or crowd equity funding at some time in the next 12 months. It tracks increasing likelihood between August 2014 and March 2015 and finds the potential lending intention is 5% higher “next year” than in the next 12 months. This will help market participants to profile and target potential lenders.

Overall, those who said they were definitely likely to lend through a peer-to-peer lending service or crowd equity funding were prepared to lend the amount of money being sought by in the next 12 months was \$1.54 billion – equivalent to 21% of the \$7.27 billion sought by those who would definitely borrow through peer-to-peer lending.

Potential lenders indicate what purposes (personal and business) they are prepared to lend for and the business life stages preferred by those likely to lend to businesses.

Risk tolerance profiles:

The research measures the degree of risk New Zealanders will tolerate when making major financial decisions. This includes the degree of comfort and discomfort with rates of fall in the value of their investments.

In general, age was not a strong determinant of preparedness to take financial risks.

Important factors in peer to peer lending or crowd equity funding:

To help market players respond best to this major new potential market, the research rates the importance of 30 factors related to peer to peer lending or crowd equity funding, and finds the six factors rated more highly as “very important” than the others.

Peer to peer lending or crowd equity funding companies:

Respondents were asked about awareness and likely use of companies in or reportedly wanting to enter the market.

In August 2014:

- **Pledge Me** had the highest awareness, with 15% of respondents either aware of it or having used it. It had the highest usage level.
- **Snowball Effect** had second highest awareness, at 5%.
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By March 2015:

- **Harmoney** had by far the highest awareness, with 44% of respondents aware of it. It was just ahead of Pledge Me for usage.
- **Pledge Me** was in second place for awareness, with 20% of respondents either aware of it or having used it.
- **Snowball Effect** was in third place, with 12% awareness.
- **Lendit** had 10% awareness, and the other two organisations had less than 10%.

The research identifies which of the companies, if any, they would consider using for peer to peer lending or crowd equity funding services (respondents were asked to base this on their knowledge of the companies or from first impressions based on the company names).

Banks and peer-to-peer lending:

The research indicates the number of adults likely to use a peer-to-peer lending service if the bank respondents used most often for personal loans were to start one. A potentially significant market of more than 287,000 people is indicated, along with a risk to P2P lenders:

60% of those who had said they may borrow through a peer-to-peer service in the next 12 months appeared to be likely to use their bank if it offered peer-to-peer lending.

Financial Markets Authority supervision:

The research reports the number who has or lack confidence in the Financial Markets Authority to adequately supervise new peer to peer lending and crowd funding service.

Business decision makers were significantly more likely than average to not feel confident, with 52.5% indicating a lack of confidence.

Overall feelings about peer-to-peer lending and crowd equity funding:

41% of respondents felt that the start of licensed peer to peer lending and crowd equity funding service providers in New Zealand was a welcome alternative.

25% said they would not borrow through a peer-to-peer or crowd funding service.

A nett 51% selected one or more options related to negative perceptions of safety, risk or trust:

- feeling safer investing through banks;
- feeling other ways of investing were safer;
- too risky; and
- lacking trust peer-to-peer lending.

Risking profiling:

As the market develops the Horizon service will also

- **Benchmark performance** of each licensed service provider against all others in the market. Using proprietary Horizon dashboard software, providers will be able to produce a weighted performance report online within minutes – indicating relative performance of each company on all factors important to borrowers and lenders
- **Identify opportunities to increase contributions** by current provider and intended provider.

From time to time the research will also explore new product opportunities. The service also includes profiling respondents by lifestyle or services they use (e.g. banks, media, current property ownership status and property values) to immensely increase its depth at no additional cost.

In addition to a written report, the service is further enhanced by permanent online access to Horizon's online results analysis and reporting system, allowing you to deeply profile respondents by up to 19 pre-registered demographic within seconds.

Options to purchase reports from each survey conducted for this service are now available on a syndicated basis.

Results for the August and March surveys are available now to clients who wish to log in directly to Horizon's proprietary online results analysis and reporting system. A full written report and analysis on the August and March surveys is available immediately. Further reporting can be tailored to meet specific needs.

1. Introduction

Horizon bases the development of this new and market-leading Peer-to-Peer Lending and Crowd Equity funding monitor on insights gained from undertaking extensive research since 2010 on retirement savings behaviour and future savings intentions. It also provides similar Comparative Performance Monitoring services covering both the KiwiSaver and Energy sectors.

Horizon has also undertaken qualitative research on LVR policy for the Reserve Bank and for nearly four years has researched investment issues for the Financial Services Council, insurance companies and advisors on product and service preferences.

The Monitor is conducted at least annually, surveying 2,000+ respondents representing the New Zealand adult population at the last census.

2. Research scope and benefits

Research identifies significant market opportunities for current and intending P2P and Crowd Equity Funding services on:

Lenders:

- Current investments by type and value (e.g. term deposits, shares in New Zealand and offshore companies, bonds, private loans (including to family and friends), mortgage/ property lending). These are also cross referenced against primary personal bank and business bank
- Awareness of P2P lending and crowd equity funding
- Willingness to lend P2P and for equity (“definite” to “definitely not” scale)
- Reasons for lenders to choose P2P lending or crowd funding investments instead of more traditional investments.
- Amount willing to lend by dollar value in the next month, three, 6 and 12 months (bands from under \$5000 up to \$2 million)
- Preferred investment type (by business life cycle stage, allowing providers to effectively target the equity funding projects most likely to have investor confidence and support)
- A risk axis: the acceptable risks compared with returns.

Potential lenders’ current investments are also reported for these investment types:

Term deposits
Savings accounts
Shares in New Zealand
Shares in offshore companies
Bonds
Private loans
Mortgage lending
Other investment

Borrowers:

- Amount wanting to borrow in the next month, three, 6 and 12 months (bands from under \$5000 up to \$2 million)
- Purpose loans are sought for (e.g. purchases of goods and services by a list of categories, debt consolidation, and property-related)
- Borrowing and lending intentions cross referenced against 6 named potential providers
- Awareness of P2P lending and crowd equity funding
- Willingness to use (“definite” to “definitely not” scale)

Both lenders and borrowers:

The research establishes the extent to which P2P and crowd equity funding will be accepted.

It reports the extent of intended borrowing for these purposes (and the degree to which lenders prefer to lend for these purposes):

Debt consolidation
Residential property
Home improvement/renovations
Commercial property as an investment
Commercial property for your business
Holiday home
Car
Motorcycle/scooter
Other vehicle
Boat
Holiday in NZ
Holiday overseas
Tablet/iPad
Computer/laptop/notebook/netbook
Refrigerator/freezer/washing machine/drier/other whiteware
TV/entertainment system
Furniture
Mobile phone
Smart phone
Business operations
Business equipment
Other business capital investment
Something else (please tell us what that is)

It also ranks the importance of 30 factors in delivering P2P and Crowd Equity Funding services. Several of these measure the importance of regulatory requirements:

Clear disclosure statement on how the service works
Clear disclosure statement on fees I will pay
Easily understood contracts
Clear information on risks
Easy to find information about potential companies to invest in
Easy to find information about potential lenders
Clear explanation on how I can purchase shares
My money is held securely until the fund raising goal has been reached before passing it to borrowers
Loan guarantees
Systems to manage those who do not pay back loans
Independent disputes system
Clear disputes process
Clear information on interest rates
Clear information and communication on loan performance
Service to credit check those borrowing
Better returns than term deposits
Better returns than other loans
Better interest rates for borrowers than other loans
Easy to contact
Overseas experience with peer-to-peer lending or crowd equity funding
New Zealand-based companies
Companies with experience in the finance industry
Licensed by Financial Markets Authority
Access to my account online
Easy to get a clear view of my account online (e.g. my balance and various investments)
Resolving queries in the first call or email
Assistance easily accessible over the phone and/or online
Access to face to face help in a branch or office
I feel my investment is safe
The provider has a good reputation

For both borrowers and lenders the research establishes

- Trust and confidence in listed brands
- Provider of first and subsequent choice (now and during the next 12 months)
- Provider of first choice for lenders reported by sums they are prepared to invest during the next 1 to 12 months (with dollar values up to \$2 million).

Qualitative comment on the new services is also captured, providing additional insight into New Zealanders' thinking on the new market and service preferences.

Every result may be analysed by up to 19 demographic criteria, within seconds, by all of the following criteria:

Age, gender, ethnicity mix (the main groups being European/Pakeha, Maori, Other European, Pacific Islander, Asian and Indian), local authority area, general electorate, household type, personal and household incomes, primary household decision maker, purchasing authority on behalf of an organisation, employment status, educational qualifications, industry type, occupation, party vote at the last two general elections.

This will provide the most extensive and in-depth profiling of potential borrowers and lenders in the New Zealand P2P and crowd equity funding markets.

3. Comparative Performance Dashboard

As a subscriber to this service you will have access to new Horizon online technology delivering an instant online report on how you are performing relative to other Providers. This data will be gathered in the second survey.

The service includes:

- Reporting through an online dashboard of how each Provider is performing against all other Providers on a range of performance factors
- Individual relative performance reports for each selected Provider.

Relative performance reports may be produced for each investment type surveyed.

This provides subscribers with a comprehensive view of relative performance – where they are leading, matching or trailing weighted average market performance, delivering important insights to support internal and other action.

Horizon will discuss performance factors with each subscriber to ensure a comprehensive list of service, product and other options is surveyed.

Horizon currently conducts Comparative Performance analysis of all energy and all KiwiSaver providers using its proprietary dashboard software.

4. Sample size and methodology

Peer-to-Peer Finance Outlook and Performance Monitor service offers results of two nationwide (August 2014 and March 2015) and then at least one update per year, with 2,000+ respondents representing the New Zealand adult population. At a 95% confidence level, the maximum margin of error on each survey will be +/- 2.2% only.

Respondents are members of Horizon's national HorizonPoll online panel, recruited to match the census population aged 18+. Survey results are weighted by up to six criteria to ensure the respondent sample represents the adult population. Weighting factors available include age, ethnicity, gender, region, highest education, personal income, employment status and party vote at the 2011 general election. Respondents' party vote at the 2014 general election will be added following the next general election.

5. Reporting

Subscribers to this Horizon service receive

- A full analysis and written report on the results of each survey
- Immediate online access to survey results using Horizon's relative performance dashboard reporting system
- Immediate and permanent online access to Horizon's online analysis and reporting system including the ability to run results for all Monitor questions in graphic form, cross analyse results for each question against all others and produce tables results for all questions filtered by any of up to 19 demographic criteria
- Ability to download survey results in Excel for offline storage and further internal analysis.

Horizon profiles members of its national adult panel by more than 11 million answers given in earlier surveys. Where Horizon owns the data these are used to create additional filters. For example, respondents' known media use (print, radio, magazines, social media) or recreational and sporting interests, or banks used may be used to provide additional insight.

Filters are available to filter results by respondents' use of all main-centre daily, weekend and weekly newspapers, business and property publications, main magazines, main radio stations, online media, social media sites, television channels viewed (including subscribed to Sky TV), mobile provider for personal and business use; smartphone ownership, main banks used for personal and business banking, online banking use; credit card provider.

Results for each question in Monitor surveys may be reported for both the national sample and a filter sample (e.g. those who read the Herald Monday to Friday, have a smartphone, bank with a nominated bank or shop with any of 50 main brands).

This will deliver major additional insights – without needing to ask lifestyle questions within a survey, at *no additional charge*.

As part of its fee, Horizon attends meetings with key executives of any subscriber who wants briefings on results - and the opportunities they represent.

6. Subscriber fees and terms

The fee for the syndicated report is \$8000 (ex GST) only per survey. This fee applies to the report and results for both the August 2014 and March 2015.

7. Additional lead generation service

Horizon's research platform may also be used by companies in the P2P and Crowd Equity Funding market to send stand-alone surveys which can also generate direct leads.

For example, Horizon has access to e-mail addresses for more than 600,000 adult New Zealanders.

Segments within the lists which match the profiles of those which the Monitor shows are of highest value and most likely to invest or borrow can be invited to undertake a survey, during which they can give their details if they wish to be contacted to acquire a service.

Horizon will quote separately for this service and will give preference to the subscriber or subscribers to its Monitor.

8. Horizon's credentials

Horizon Research Limited has more than 67 clients, including multi-national and national companies, government departments and agencies, iwi and national business and community organisations and tertiary institutions.

Horizon undertakes quantitative and qualitative research. It has been specialising in online research since 2005.

Horizon operates the HorizonPoll and Horizon Research Maori Panels, representing the New Zealand adult and Maori adult populations at the 2006 census.

Horizon also operates client customer research panels. It uses online panels to quickly and cost efficiently conduct qualitative research. The online panels are used to recruit focus groups and individuals for in-depth interviews. Horizon's surveys may be completed easily online or on smartphones.

It also under takes research by mobile, telephone and postal mail.

Horizon and its principals are members of Research Association New Zealand (formerly the Market Research Society of New Zealand) and follow the society's rules and ethical guidelines in conducting market research. Horizon also ensures it meets international standards relating to conducting market research, including online.

9. Contact

To discuss subscribing and benefiting from the market insights – and, later, relative market performance measurements - delivered by this service please contact:

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