

## LendingLab™ Small Business Overview

LendingLab™: Small Business provides a basic understanding of small business lending principals, processes and products.

Industry best practices combine the best from the retail and commercial banking worlds to address this unique segment. The course helps participants understand the similarities and differences inherent in the small business decision space, including how to define small businesses for your financial institution, how to apply P&L metrics appropriately, how risk can best be identified, and how to leverage knowledge gained from other disciplines while adapting that knowledge to small business.

Participants will be able to test their new knowledge in open discussions and activities in a team environment. Each team will address underwriting practices, construction of P&L, and pricing. The final team activity will bring all activities together in a “team competition” with portfolio level data.

### Target Audience

Small Business:

- Line of business staff and team leaders
- Marketing team
- Product Management team
- Branch staff
- MIS and reporting staff
- Underwriting team
- Operations team
- Product management team
- Finance team small business counterparts
- Compliance staff
- Call/contact centre and customer service manager
- Small business collectors and collections team leads

## Sample Agenda

Day One	Day Two
Course Introduction	Portfolio P&L
Activity: What is SME?	Activity: P&L
The SME Marketplace	Pricing
Activity: Who are your Ideal SME customers?	Activity: Pricing
SME Customers and their Needs	Fraud and Operational Risk
Product Development: Marketing Considerations	Regulatory Issues
Product Development: Risk Considerations	Roundtable Discussion: Closing the Loop
Activity: Product Design	Team Competition: Build Product Program with P&L

## Course Module Learning Objectives

<b>Activity: What is SME?</b>	<ul style="list-style-type: none"> <li>Learn about the characteristics of micro business, small business and middle market business.</li> <li>Understand the similarities and differences between 3 market segments</li> </ul>
<b>The SME Marketplace</b>	<ul style="list-style-type: none"> <li>Explore defining the small business for your region</li> <li>Evaluate the similarities and differences in decision making compared to retail/consumer banking</li> <li>Define the potential benefits to bank from a growth, regulatory and competitive perspective</li> </ul>
<b>Activity: Who are your Ideal SME customers?</b>	<ul style="list-style-type: none"> <li>Explore segmenting customers for each SME products</li> <li>Learn about the marketing and risk considerations apply for each of the segments</li> </ul>
<b>SME Customers and their Needs</b>	<ul style="list-style-type: none"> <li>Identify SME customer needs including product, access and applicability</li> <li>Define the SME Value Proposition</li> <li>Identify the target markets ripe for SME expansion in your area</li> <li>For your region, what are your SME customer needs?</li> <li>Learn how analysis and segmentation support product</li> </ul>

	<p>definition</p> <ul style="list-style-type: none"> <li>• Channel makes a difference to SME customers, learn about different channels</li> </ul>
<b>Product Development: Marketing Considerations</b>	<ul style="list-style-type: none"> <li>• Understand how product planning align with marketing execution</li> <li>• Learn how marketing strategy plays a role in your portfolio profitability</li> <li>• Explore the compliance implications of data and privacy</li> <li>• Evaluate how reporting contributes to the feedback loop for optimal marketing results</li> <li>• Identify where experimental design and the use of test and learn methodologies support on-going marketing strategy execution</li> </ul>
<b>Product Development: Risk Considerations</b>	<ul style="list-style-type: none"> <li>• Product design is critical to attracting and retaining good SME customers in a competitive environment. Determine how this will work for best results in your region</li> <li>• Product assignment strategies must map to credit risk appetite and credit risk policy. Explore how these, in conjunction with strategies, help determine your success in meeting your business goals</li> <li>• Learn about underwriting decision making and how to utilize the most important financial ratios</li> <li>• Define the KPIs to observe in your SME risk strategies</li> <li>• Identify where experimental design and the use of test and learn methodologies support on-going risk strategy execution</li> </ul>
<b>Activity: Product Design</b>	<ul style="list-style-type: none"> <li>• Building a new product from idea generation to product launch</li> <li>• Link product features and structure to customer value, portfolio financials, and sales volume</li> </ul>
<b>Portfolio P&amp;L</b>	<ul style="list-style-type: none"> <li>• Define elements of Profit and Loss statements for financial products and recognize their key drivers</li> <li>• Learn to apply revenue dynamics to the analysis of a portfolio</li> <li>• Be able to set up a Month on Books-based profit model</li> <li>• Investigate the components of expenses and their contribution to profitability</li> <li>• Understand the concept of the risk/reward balance as it applies to loss coverage</li> <li>• Identify the impact of competition on P&amp;L</li> </ul>
<b>Activity: P&amp;L</b>	<ul style="list-style-type: none"> <li>• Learn how to build P&amp;L structure for a given SME product</li> </ul>

<b>Pricing</b>	<ul style="list-style-type: none"> <li>• Explore marketing activities the bank can undertake to drive account acquisition, profitability and retention</li> <li>• Identify how product pricing and line assignment can be used not only to attract the best SME customer but control risk</li> <li>• Determine how product pricing can be one effective tool you can use to combat attrition</li> <li>• Investigate how product pricing, line assignment and fee structure can impact your P&amp;L</li> <li>• Define analytics that can support your pricing decisions</li> </ul>
<b>Activity: Pricing</b>	<ul style="list-style-type: none"> <li>• Learn how to build a pricing strategy (fees, APR, line assignment, and others) for Business credit card and line of credit</li> </ul>
<b>Fraud and Operational Risk</b>	<ul style="list-style-type: none"> <li>• Learn how to assess your operational process and system and how these need to be aligned with product scalability</li> <li>• Understand the factors that need to be considered in operations for product planning</li> <li>• Learn how to identify and prevent identity theft and the value of identity verification</li> <li>• Understand document fraud and how to prevent it</li> <li>• Explore process verification and quality assurance and their impact on fraud prevention</li> <li>• Learn about various fraud topics including: data quality and timeliness, miss-selling prevention, data entry errors, gaming the system</li> </ul>
<b>Regulatory Issues</b>	<ul style="list-style-type: none"> <li>• Understand what global and regional regulations can impact your SME operation</li> <li>• Learn about model management as part of regulatory compliance and as an aid to strategy development</li> <li>• Reporting and documentation are two topics that trap many bank clients in regulatory quick-sand. Learn what documents are required for compliance and as aids to strategy monitoring</li> <li>• Understand the regulatory approval process</li> </ul>
<b>Roundtable Discussion: Closing the Loop</b>	<ul style="list-style-type: none"> <li>• Discuss the need for establishing a feedback process within your organization</li> <li>• Understand the infrastructure requirements needed to support the feedback process</li> <li>• Explore how your organization can adapt to and benefit from a test and learn philosophy</li> </ul>

**Team Competition:  
Build Product Program  
with P&L**

- Each team will build their product program by taking the product design into a simulation for P&L calculations
- The presentations will be peer and instructor reviewed, for detail, quality and clarity of articulation