ceocfointerviews.com

Issue: August 19, 2019

CEOCFO Magazine

Biz2Credit is revolutionizing the way Small Businesses apply for Loans and Financings with an all-in-one Digital Platform that provides a Fast Credit Analysis and Approval Process

Rohit Arora
Co-Founder and CEO

Biz2Credit

Contact:
CEOCFO Magazine
570-841-1745

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine

CEOCFO: ***Mr. Arora, what was the vision when you co-founded Biz2Credit® back in 2007?***
Mr. Arora: What my brother and I figured out was that in this country at that point in time, it was very easy to get a mortgage, but very difficult to get access to credit for small businesses. Everything was pretty manual in nature and everybody was trying to collect a lot of paperwork and I would say that there was standardization in any of the processes. At that point of time we thought that we could set up a digital platform which could help businesses to input all the data in one place.

A bigger vision than that, even at that point of time, was the way that businesses really generate data. We figured out that there were five big touch points. Those were: accounting, payroll, payments, marketing, and filing taxes. We said that instead of business owners inputting all of that data and information in, there is a way that we can go and take all that data from different sources. In those days, the APIs and all of those things were still very new, but we can go and get that data and that way we will be able to have access to data and also the ability to give them that access to credit and also an ongoing ability to manage their cash flow. That was the whole vision when we started.

CEOCFO: ***What is your vision today?***
Mr. Arora: That vision remains pretty much the same, but obviously we have now expanded that vision. When we started we thought that we would be able to solve that problem at the front end and everything will be fine and gung ho. Then over the years we figured out that the bigger problem that we had was not only at the front end, but as business owners got more adaptive the problem was more and more with the lenders. They were not really willing to change themselves or their model manual processes. They did not have a lot of experience in going digital. They did not look at straight through processing.

Somewhere in 2013-14, we decided to come from an origination marketplace to a fulfillment marketplace. We started consolidating a lot of the money from hedge funds, credit funds, banks, non-banks. We decided to also disperse that money through our platform itself and then do servicing and all the other "nine yards" of that piece. We were able to fully align the whole process end to end and also give a better customer experience to our small business customers.

CEOCFO: ***Who is turning to Biz2Credit for services today?***
Mr. Arora: When we started the company I always thought that if the businesses were not able to get access from the bank all those businesses would come to us. Over the years what has happened is that online small business finance has become more mainstream and has become the place where people now want to first go online and check out their stuff

and only then want to do anything else. Right now, an average business owner in our platform is five to seven years in operation with $3.5 million in revenue and a 697 to 700 range FICO score.

We get all kinds of industries that include quite a bit of retail, because traditionally retail was not being counted by banks at all; even healthcare, professional service aids, IT services, and public administration. That is pretty much a well distributed kind of play that we have already put in place now. Over the years, online has become more and more the main channel and going to banks or your local credit unions have become less of a habit for business owners. As that has happened, we have seen more mainstream businesses just checking out and adopting online platforms.

CEOCFO: ***What do you look at when assessing credit worthiness?***
Mr. Arora: We will obviously look at the cash flow. We look at their financials. We look at their credit score. We look at the industry. We look at which region they are coming from, is there any seasonality in their business. Let us say that they are coming from Florida. Therefore, we know that summers are slow and winters are much busier.

We actually look at all these different scenarios and then we really go about doing the analysis and then we have built our own proprietary BA score, what is called a BizAnalyzer score. That helps us to give them the right pricing, the right amount and also guide them on an ongoing basis. Our platform gives them the ability to manage their cash flow, improve their creditworthiness and also the ability to get better at that, eventually.

> **"More and more banks, such as with Popular Bank, HSBC and others, want to partner with us. We are providing them with an end-to-end platform, which enables them to do things they are typically not able to do. We deploy a digital platform that can give them the opportunity to do straight through processing and that is an important piece for them, because they also want to provide a better customer experience, Biz2Credit can lower their costs."- Rohit Arora**

CEOCFO: ***What is one thing you might look at that others do not take into account? What might you take into consideration that less knowledgeable people do not recognize as an indicator of creditworthiness?***
Mr. Arora: We are always looking at the credit parameters. We look at what the range is of the money that they are looking for. That is important because we have seen that when people put in a big range and they are not very sure of what they want to get done, that is not a very good sign. We have to be able to see what the use of the money is. That is a very important piece, where we are in terms of their needing the money for payroll expense, compared to marketing. That is very credit counter intuitively. I have seen that when people need more money for their payroll than for their marketing needs it is actually those businesses that perform better over time.

Typically, underwriters will think: "If I have a payroll need then my business might be in more trouble than if I need money to expand my business. However, in the case of small businesses, it is actually the reverse. When people need money to run their payroll it means that they are expanding their business or they have an immediate specific need of the business. When they look at the overall money to do marketing, a lot of their marketing budgets or marketing strategies are very, I would say not extremely well thought out or extremely measurable. When you have borrowed debt and you are trying to go in and start into to doing that, then it becomes a problem. It is very counter intuitive anyway. That is because typically, most of the underwriters would say that what the guy is struggling to do is payroll and that is not a very good sign. However, we have seen that when they need money for their payroll that is a good sign.

CEOCFO: ***Do many of your clients take advantage of your Business Essentials, tools such as the BizAnalyzer® and the Financial Calculators?***
Mr. Arora: The financial calculators are very popular. I will say Virtual CFO is getting very popular. Therefore, we are starting to see more adoption of it, when they borrow money their first focus is to get that money. However, at the same time we are starting to see an option of these tools. Also people are also getting more comfortable with it, especially banks, where they are using more and more on their mobile phones. Those are the kinds of things what we are seeing. It is still not where we want it to be, but it is getting better than where it was.

CEOCFO: ***How do you attract business in a crowded space?***
Mr. Arora: It is such a competitive market out there, and one of the things that we do is that we try to be very transparent and very truthful to our customers, of what we can do for them and what we cannot. We encourage our customers to leave reviews of us and we have very high, good reviews, which also gives us credibility.

We also showcase many of our customers in our ads and testimonials, and because we help them grow their business they are very happy to do that. The interesting thing is they are very committed and passionate to help our business customers and I think that is a very important piece. That is because for us, we want to help them to grow, because we realize that the more they grow, the more we will grow them.

CEOCFO: ***Do companies turn to you repeatedly? Do you develop a relationship?***
Mr. Arora: Yes. Right now, our renewal rates are 55 percent to 65 percent of the people who borrow from us for the first time usually come back to borrow more. We are obviously trying to increase this renewal rate even more. Therefore, the whole idea is that we also want to encourage our client base to get a better deal the next time they come. We are also trying to educate them how to get more creditworthy so that we are able to deliver on that promise.

CEOCFO: ***How do your rates compare with banks or with other sources?***
Mr. Arora: Our rates are higher than banks, because obviously we are not a bank, so we cannot compete with the banks' cost of money. However, we are now starting to partner with some banks like Popular Bank and HSBC, so that we will soon be able to offer a bank loan product. Therefore, it will be at the speed of an alternative lender, but at the rate of a bank loan. That is starting to happen as we speak.

CEOCFO: ***Why is now the time to partner with banks?***
Mr. Arora: This is a good time to partner with banks because they are starting to feel a lot of heat right now. I think that is an important piece because most of them have to leave their light on, very expensive garage networks to actually grow their business and now less and less people are going into branches and more and more people are just going online. More and more banks, such as with Popular Bank, HSBC and others, want to partner with us. We are providing them with an end-to-end platform, which enables them to do things they are typically not able to do. We deploy a digital platform that can give them the opportunity to do straight through processing and that is an important piece for them, because they also want to provide a better customer experience, Biz2Credit can lower their costs.

CEOCFO: ***How is your technology user friendly? So many organizations claim to be and so few are.***
Mr. Arora: I think technology is a constant evolution and constant investment that one has to make. Right now we are making a lot of investment in artificial intelligence, machine learning, data time speed, improving the customer experience, making it more creditable and more predictive in nature. I think we are doing a lot of that stuff right now, as we speak. As the people keep evolving and keep learning from our experiences, then every day is unique. The whole idea is that you will be able to live in an agile environment, so we need to move very quick, we need to have all these things in place and we would really experiment a lot, learn and then we will move fast, farther.

CEOCFO: ***Biz2Credit was recently recognizes as a Great Place to Work. How did you develop that culture? Did you realize from the beginning that the work place atmosphere was important in results for your company?***
Mr. Arora: Yes, obviously one of our goals has been to provide employees with a very passionate culture, with a culture where they get challenges every day, because I believe that employees do not come to work just for perks. However, they are good to have, so we give them free Friday lunches and all the free snacks like most of these tech companies now. However, I think that is not what they come for. They are looking for the challenges and the culture. They also appreciate that this is a place where there is not a lot of politics.

What they come for is a place where they can move quickly and where their ideas are listened to and respected and they want to work for a place where they can see the change happening every single day. That is because I think millennials also want to see that they make a change and the impact that they are making in the bigger society and I think that is very important for these products to address. We also empower our people where we give them more responsibility. We have a lot of steep learning curves for them and a lot of smart young people really want that. They really want to feel satisfied in their job, so every day they are discovering what is challenging and new and making an impact.

CEOCFO: ***Why choose Biz2Credit?***
Mr. Arora: In my view there are three big reasons. One is that we, like many business owners in the country, my brother and I are first generation immigrants. We have built this business from the ground up, so we know and understand what it is to build a business with access to credit. I think that is very important. Every single day we are trying to understand and tackle those issues, even in our business.

The second thing is our commitment to being extremely transparent and good to our customer base. We are the highest rated online lender among hundreds of online lenders on Trustpilot®, which is a third-party rating entity. We are very transparent. We encourage our customers to read reviews and write reviews about us. We learn from both from good reviews and bad reviews. The whole idea is that we really want to help them grow so that we grow.

The third piece is that we are very committed to investing tremendous amounts of money in technology, data science, and artificial intelligence, because they are going to make it easier, better and smarter for everyone. We also want to get smarter and more intelligent, because I think that is a very important piece, for us and for everybody else to look into it and see what we are doing and how we can take it to the next level.