

\$36

Spent on chocolates and lollies each year

\$460m

Spent on oral health products each year

23%

Of households are people who live alone

25,000

Dogs washed by Aussie Pooch Mobile every month

Tailored loan, right fit

For the business, it may make all the difference

Chris Herde

ACHIEVING the right loan fit is vital for anyone contemplating borrowing, but for the small business sector it can mean the difference between growth and stagnation.

Over the past few years the sector has grown dramatically on the back of a booming economy.

And while economic conditions are a vital plank in the growth equation, the tailoring of lending services to small businesses has helped this

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Andrew Northcott, Labour Solutions Australia founder

growth. Services include dedicated small business lending departments, discount opportunities, personalised service and specialised lending facilities such as debtor finance factoring, in which money is lent according to the amount of cashflow generated, rather than fixed assets.

It gives small enterprises a more flexible borrowing option rather than overdrafts and for

credit lines to increase along with the businesses' growth.

These initiatives have been behind the startling growth in small business lending, which according to a recent JP Morgan and Fujitsu report account for \$139 billion or 24.5 per cent of total business lending up to January this year.

But the report found that while the majority of customers were tied to the big four banks, 60 per cent were dissatisfied, with a high potential to switch lenders.

One person who made the switch was Andrew Northcott, 23, who founded Labour Solutions Australia in October 2004.

Mr Northcott's recruitment business has achieved spectacular success, growing 2945 per cent since it started, and he expects turnover of about \$8 million to \$10 million in 2007-08 with offices in Brisbane, Ipswich and soon in Townsville.

But he says it was difficult expanding the business initially with the major banks reluctant to lend to him because he had no fixed assets.

"One of the larger banks eventually gave me an unsecured overdraft facility at a very high interest rate. I was

happy that I was able to get one, but the service they followed through was very low standard. It was not a good experience," Mr Northcott says.

He went to Suncorp Metway and got a tailored loan tied to the growth of his business, which gave him the flexibility he needed to expand.

"We will not be able to achieve the turnover that we will this year without having a good relationship with Suncorp," he says.

Suncorp has recently boosted



MAKE the switch away from the big four banks ... businessman Andrew Northcott.

Picture: John Wilson

its small-business focus by launching several new products, increasing the number of its small-business transaction banking specialists and its marketing activities.

"The ramp-up in services is tied to the 27 per cent increase in Suncorp's small business loan activity in Queensland in 2006-07 and the bank is currently signing up about 500 new customers a month.

Suncorp's acting general manager of small business Steven Kuss says it's important not to "retro-fit" retail products to small business customers whose needs are different from larger enterprises.

"From the small business perspective we are still very focused on the security aspect for the client but we take a more balanced approach between security, the person's business

acumen and their experience of the type of business they are in," he says.

Tony Markwell, director in charge of private business services for chartered accountants Grant Thornton, says the tailoring of lending services to smaller businesses is a trend that will continue.

"Smaller business generally find it harder to get financing because they don't have fixed

assets and that is why these new products are a breath of fresh air for businesses," he says.

"What our surveys are showing is that small to medium-sized businesses are expecting substantial growth over the next 12 to 24 months.

"So while the businesses have opportunity, you are going to see increasing flexibility from banks lending products to tap into that," Mr Markwell says.