Pre-qualified Loan Targeting for Small Business

Challenge

An alternative small business lender wanted to identify small businesses and small business owners to target for a pre-qualified loan offer that were likely to meet specific underwriting criteria. By doing so, the lender would more effectively leverage their marketing spend for a higher return on investment (ROI).

Solution

Leveraging our proprietary business database that includes the anonymized financial statements of over 28 million for profit business in the U.S., Powerlytics developed a score to prioritize businesses for which to market services. The score identified the industry sector and Zip code combinations that contain the most qualified prospects based on the lender's underwriting criteria. Note; Powerlytics used the North American Industry Classification System (NAICS) at the most granular 6 level to identify the businesses industry sector. SIC industry codes can also be utilized.

Small Business Targeting

To be considered a pre-qualified business prospect, the lender provided Powerlytics with these requirements:

1. Sales between $200K and $xx million.
2. Profit greater than $xx.
3. Short-term debt greater than $0.
4. Interest Coverage Ratio between X and Y.

The lender selected the San Antonio MSA for their marketing campaign. In the San Antonio MSA there are about **164,000 NAICS6/Zip code combinations**. The question Powerlytics answered for the lender was which of the approximately 164,000 NAICS6/Zip code combinations contained business prospects that would most likely qualify for a loan.

Powerlytics limited the 164,000 combinations to only those that would pass the lender's underwriting requirements noted above.

By limiting the data, Powerlytics identified approximately **9,400 NAICS6/Zip code combinations for partnerships and corporations and 1,100 NAICS6/Zip code combinations for sole proprietorships** that would be good candidates for the lender.

Powerlytics created a score for each NAICS6/Zip code combination based on the Return on Sales metric, and rank-ordered the highest scoring NAICS6/Zip code combination for the lender.

Small Business Owner Targeting

Leveraging their proprietary consumer database that provides a comprehensive and anonymized financial view of over 144 million households in the U.S., Powerlytics developed a score to prioritize small business owners for the marketing of services. Powerlytics can use their consumer data to identify the 9 digit Zip code or Zip+4 where business owners live and have businesses that qualify for the lender's underwriting guidelines. Zip+4 is a very granular targeting approach since, on average, there are only 3-4 homes within a Zip+4.

The lender selected the San Antonio MSA for their marketing campaign. In the San Antonio MSA, there are approximately **196,000 Zip+4s**.   Less than 200 of the 196,000 Zip+4s in the San Antonio MSA have business owners with metrics that met the lenders criteria.   There are approximately 1,500 tax filers in those Zip+4s.

Powerlytics created a score that rank orders the qualifying Zip+4s based on the % of Households in a Zip+4 with Business owners as well as Return on Sales for those businesses.

Results

Powerlytics clients have run multiple campaigns using this and similar approaches. Booked loans on average have doubled compared to previous results when not leveraging Powerlytics data and scores. As a result, clients have been able to increase their marketing spend on prospects that score higher and reduce their marketing spend on prospects that are less likely to produce a favorable ROI. Marketing dollars are now spent much more efficiently with greater results.