



THE DEMOCRATIZATION OF SMB DATA

BY MICHAEL CARTER

The global business data market is dominated by large data firms that have made their fortunes and built their architectures and infrastructures based upon data “about” an individual or a business and not “for” them. This data was first sourced, packaged, and sold to legions of financial services firms looking to extend consumer credit. This data was structured and one-dimensional.

Today, there is little argument that small businesses and entrepreneurialism are the engines that will drive the economy. There are nearly 200 million global small businesses that represent nearly 50% of the world’s GDP. Small businesses and their owners and entrepreneurs behind them represent a critical market segment for financial services firms of all kinds.

SMBS ARE THE ENGINE DRIVING ECONOMIC GROWTH

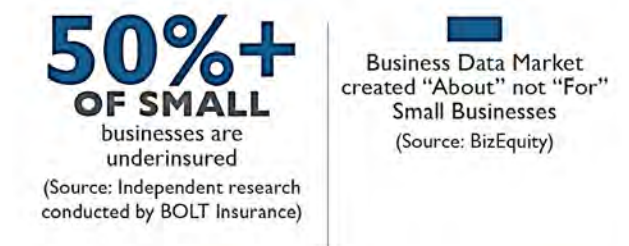


Bolt Research estimates that 50% of the world’s businesses are underinsured and 40% of all small business owners do not have life insurance. Better insuring the Small Business market is a \$300 billion dollar opportunity for the insurance industry.

In Wealth Management, the market is becoming more and more competitive with the rise of online providers (Robo Advisors), competing for share of wallet. There are over 500,000 traditional offline wealth managers and estate planners while small businesses or their owners represent 25% of the Assets Under Management (AUM) for leading advisors and 50% of the assets that they want to attract.

Just in the U.S., there are over 8,000 commercial banks representing over \$1 trillion dollars in commercial lines and loans. Small businesses represent an increasing portion of commercial loans and the competition to reach them has heated up with the rise of online lenders looking to disrupt the traditional lending value chain. The biggest asset traditional banks have is their traditional branch or banking network, but business owners are increasingly staying home and banking online.

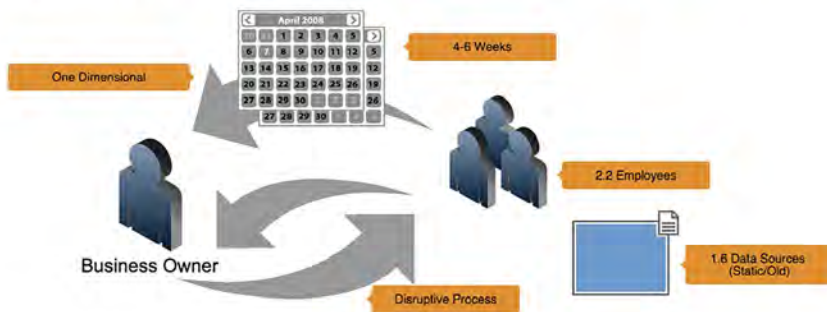
FAST FACTS



In each of these pillars of the financial services industry there are a flood of innovative and disruptive technologies looking to take market share away from the \$10 trillion dollar financial services industry. Robo Advisors, Virtual Insurers, and Peer to Peer (P2P) lenders. Small businesses and their owners and entrepreneurs are the new crown jewels of the financial services industry. However, there is one big problem facing the financial services industry that wishes to sell and better market more products to the small business economy. No one has good data on small businesses, and the risk and credit insight provided by the data industry is incomplete.

BizEquity has taken a different approach to solving this large problem that exists in the market today by turning the problem upside down and focusing on the opportunity.

Figure 1.1 The Old Business Valuation Process (Offline)



What if you could gather data on small businesses by providing insight, and in turn help the financial services firms that serve small businesses create new revenue opportunities by delivering this service, while continuously gathering data and delivering insight? That is what BizEquity has done with its “Valuation as a Service” (VaaS™) cloud based platform and big data service.

BizEquity created an application **“for”** the small business and not just **“about”** the small business. This application solves a problem that 98% of all small businesses have. The problem is the fact that today less than 2% of all businesses know their business value. The Business Valuation market today is estimated to reach \$8.0 billion dollars this year according to IBIS World. Today this service is conducted nearly 100% by offline providers. The reason that less than 2% of the world’s businesses conduct annual business valuations is because of the time (4-6 weeks), the cost (~\$8,000.00), the intrusion and day to day disruption it causes for the business conducting a traditional offline valuation. The average size of the firm delivering the offline valuation is 2.2 people and the average number of data sources to deliver the comparable data or comps on the particular industry is 1.6. The business valuation market is the perfect market to disrupt, put online, and to democratize.

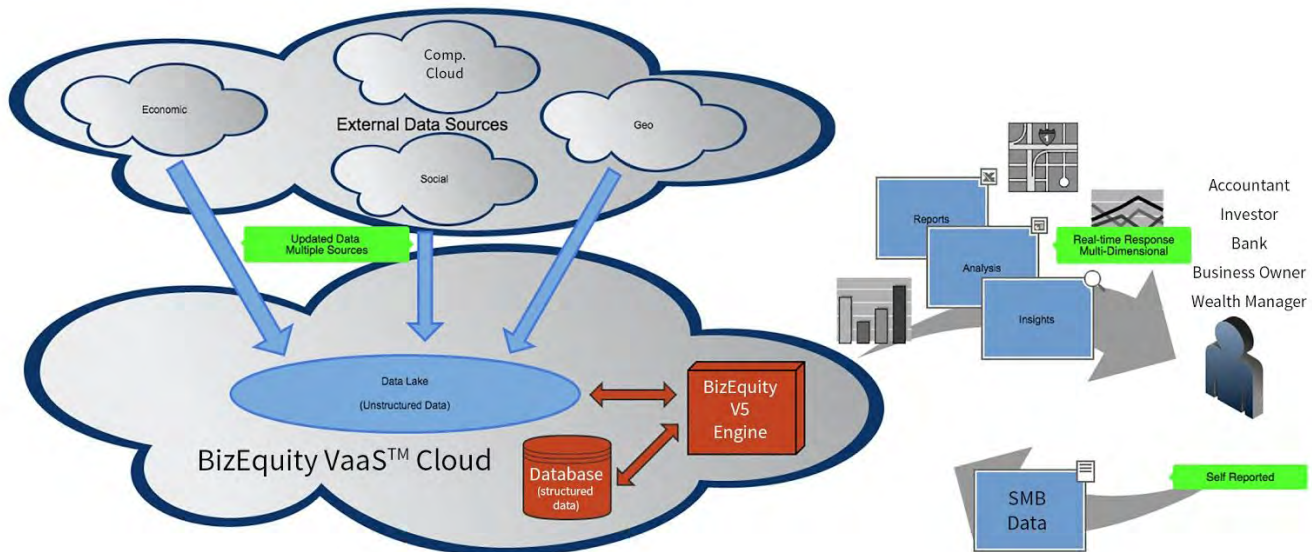
BizEquity has created the first and only patented online business valuation and performance service in the market today. To date, we have estimated business valuations on over 29 million businesses and over 200,000 small businesses have gone online and used our service. BizEquity distributes its patented service through a network of over 50 financial service firms, who white label the service to make it available to their clients and as a tool for a revolutionary way to prospect.

Figure 1.2 SMB Data Acquisition

	Old Way	BizEquity
business	“about” the user 2%	“for” the user 98%
process	slow invasive expensive	user driven self-reported real-time
technology	manual one dimensional flat	automated real-time multi-dimensional

Our vision is to value every business in the world and our mission is to democratize this knowledge for the small business. We execute this strategy through our unique private label distribution clients. Banks want to share our service to get closer to their small business clients and prospects; Insurance companies want to value businesses and show the business value to them to prove they are underinsured to generate more premiums from the under or un-insured, and wealth managers want to prospect and engage business owners and entrepreneurs to produce more accurate estate plans and portfolio strategies.

Figure 1.3 The BizEquity VaaS™ System



Business valuation and performance knowledge is the on-ramp question financial services firms want their clients and prospects to answer in order to generate more revenue. However, over time, the data generated by the BizEquity engine and the non-linear correlations and insight provided will help fuel risk and credit lending and underwriting models of tomorrow. Our goal is to help not only provide more powerful insight for financial services firms, but to level the playing field for the small businesses that power the economy. Insurance protection required; lending capacity needed; and optimal estate and financial planning recommendations, these will not just be the services that the 1% understand, but an insight that will be made available for all small businesses using BizEquity.

We are at the dawn of the democratization of data for the small business owner and the financial services industry that serve them. By helping the business owner answer the most important question that they need to know and cannot today, we have created one of the largest small business data assets. Through BizEquity and the financial services firms that deliver our service to them, small businesses can now ensure that they are properly financed; properly insured; and have a succession plan in place. By delivering this powerful new service, BizEquity is helping small businesses run their businesses better and more valuably.

ABOUT THE AUTHOR



Michael M. Carter is the Founder, President, and CEO of BizEquity. Their new online service was created to help usher in the new Data Democracy needed by the Small Business owner and their advisor, through powering the first and leading online valuation system and service of its kind. You can try it at www.BizEquity.com.