

Commercial Credit Information: The Shape of Things to Come?

BIIA contributing writer Philip Cotter examines how two new entrants disrupt the current status quo in commercial credit information.

Recently Cortera in North America and Creditsafe in Europe, have caused discomfort to the larger players through their aggressive pricing, PR practices that arguably allow them to punch above their weight and focus on serving the SME segments in the markets they operate in. Interestingly neither of these companies is “new” to credit information. Cortera traces its roots back to 1993 and Creditsafe to 1997. Given that they have both been around for 15-20 years, why are they suddenly seen by industry commentators and big players as disrupters or potential game changers?

Cortera and Creditsafe have built up their businesses for some time, hidden from sight from the likes of Dun & Bradstreet (D&B), Equifax and Experian? These large companies have become masters in converting raw data into knowledge by collecting and aggregating public and private sector data, specifically trade information and financial statements, adding analytics, decision and workflow capabilities. Due to the high costs associated with these activities it is not surprising that the industry remained the playground for large companies with significant resources. It is companies, such as D&B, Equifax and Experian, which operate on a global/multi-domestic basis and others such as Creditreform Germany and TDB Japan, which are market leaders in their respective market. D&B has remained the leading global force because of its strong brand and its global network.

The Internet for a while promised to change the landscape, but the big players adopted the new distribution opportunities and adapted to the new world. Although prices began to fall, they remained relatively high and importantly unaffordable for a large number of small and medium sized enterprises (SME).

Nevertheless some organizations were taking the first steps towards upsetting the status quo with a mission to make business information more affordable. In particular two companies, Cortera in North America and Creditsafe in Europe, have recently caused some discomfort to the larger players through their aggressive pricing, PR practices that arguably allow them to punch above their weight and a focus on serving the SME segments in the markets they operate in.

Given that Cortera and Creditsafe have been around for 15-20 years, why are they suddenly seen by industry commentators and big players as disrupters or potential game changers? It is believed that several factors have contributed to this current situation:

Firstly Cortera and Creditsafe built their businesses, for some time, hidden from sight of big players by identifying segments of their markets not served by market leaders, in particular developing a proposition for providing low cost credit information to SMEs, who previously had not thought that they could afford this. Most importantly they are breaking into the upper segment supplying credit managers of larger companies, who are seeking lower cost alternatives to current dominant suppliers.

Secondly, it could be argued that the credit crunch and ensuing recession, particularly in the mature markets of North America and Europe had two significant impacts on the users of commercial credit information. The first being, that despite their reputations for providing high quality and comprehensive information, it was obvious to credit managers that even large information suppliers were unable to cope with the pace at which the supply chain unraveled. Previously well run companies were being brought down not by their own mismanagement but by the misfortune of their customers or suppliers. This in turn has caused them to question the value and perhaps more importantly the price of such information.

The third factor is that Cortera and Creditsafe are growing quickly and beginning to attract the interest of analysts and investors. The latest company accounts for Creditsafe's UK business shows that revenues grew by 27% from £11m in 2008 to £14m in 2009, making pretax profits of £2.7m. Across Europe they now claim to have 50,000 customers and have recently launched in France and Germany.

Finally they are now beginning not only to be seen as competitors by the established providers but finding themselves in direct competition with them. The big players have identified the SME segment as an opportunity for future growth and are laying their plans for competing directly with them.

In turn, as Creditsafe and Cortera look for growth in the future, they are beginning to take aim at market segments that were previously the domain of the big players. Creditsafe has invested in developing an international reporting capability and extending its range of services into areas such as marketing and consumer information in the UK. Cortera boasts of its community platform that allows its customers to share real time information on companies with other members and innovative solutions such as Boost and Cortera CPR Pulse™

So where could all this lead and what does it mean for the users and the suppliers of commercial credit information?

For users, competition that drives innovation and delivers value for money services, it can only be good news. One should be aware that in some quarters Cortera and Creditsafe are viewed as low price, low quality providers. However yours truly believes the correct question to ask is, ***“Is what they provide fit for purpose?”*** and as long as one is familiar with the relative strengths and weaknesses of the various business information suppliers and one understands where each can support a specific decision making processes, there may well be a place for low cost information, either as a sole supplier or as part of a multi-supplier information sourcing strategy. The latter being practiced by many credit managers.

For suppliers, responding to customer demands for access to “real time data” to help manage the risk of new and existing customers more effectively will require investment in new technology, new data gathering techniques and new analytics. D&B announced approximately 18 months ago an initiative to correct imperfections in its data supply chain.

At the same time suppliers cannot ignore the increasing demand for more accurate information on SMEs, from both customers and indirectly from governments as they seek to increase the flow of credit to this segment. This is a challenge in many markets where information is not easily accessible and gathering this information requires significant investment. Nor can suppliers ignore opportunities to grow revenues by providing SMEs with services that they can use to manage and grow their businesses.

Yours truly will not attempt to predict winners and losers apart from saying that if some of those organizations who enjoy a large share of their market(s) today try to keep prices high and use their dominant position to frustrate competition and users, they will ultimately fail.

Finally, a few months ago, ***Level Business*** (www.levelbusiness.com) launched a new website which makes available the scanned accounts filed in the last 12 months by limited companies in the UK at Companies House. They also provide Director’s details and links to their other directorships. All this information is free of charge.

Free commercial credit information; is this the shape of things to come?

This article was provided courtesy of Phil Cotter. Phil was previously Managing Director of Experian’s Credit Services Business for UK and Ireland. He can be reached at: philip.cotter@btinternet.com