



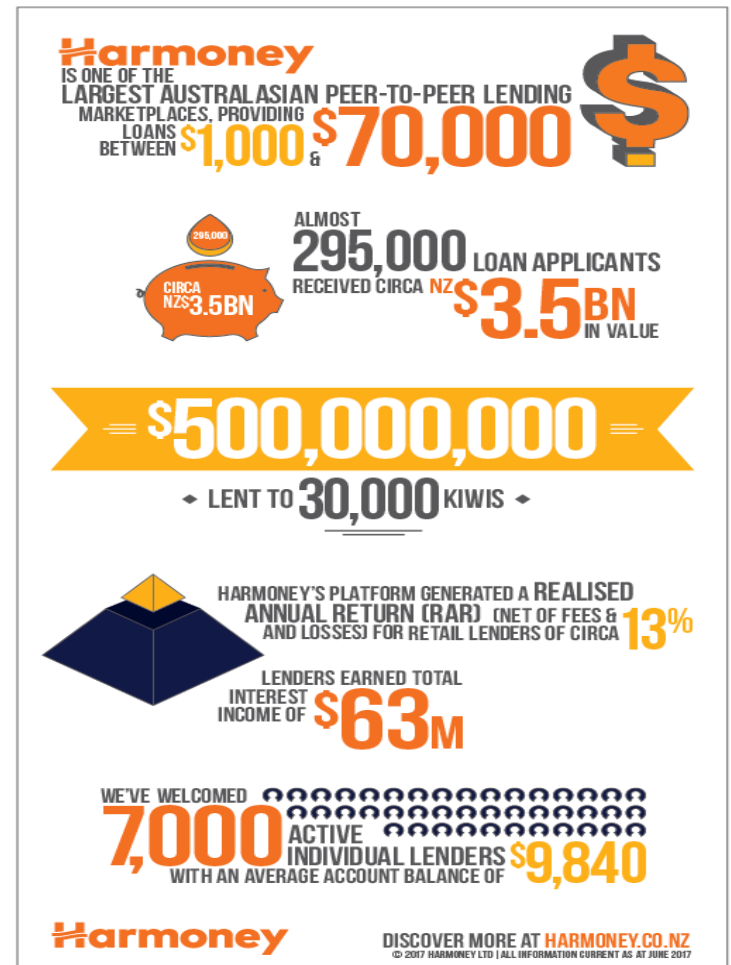
REPORT PREPARED FOR:
Harmony

BY:
**SONAM NEGI
HARDIK GHADIALI
HIMANSHU RATHI
KALUM PERERA
ROLANI MOASEGI**

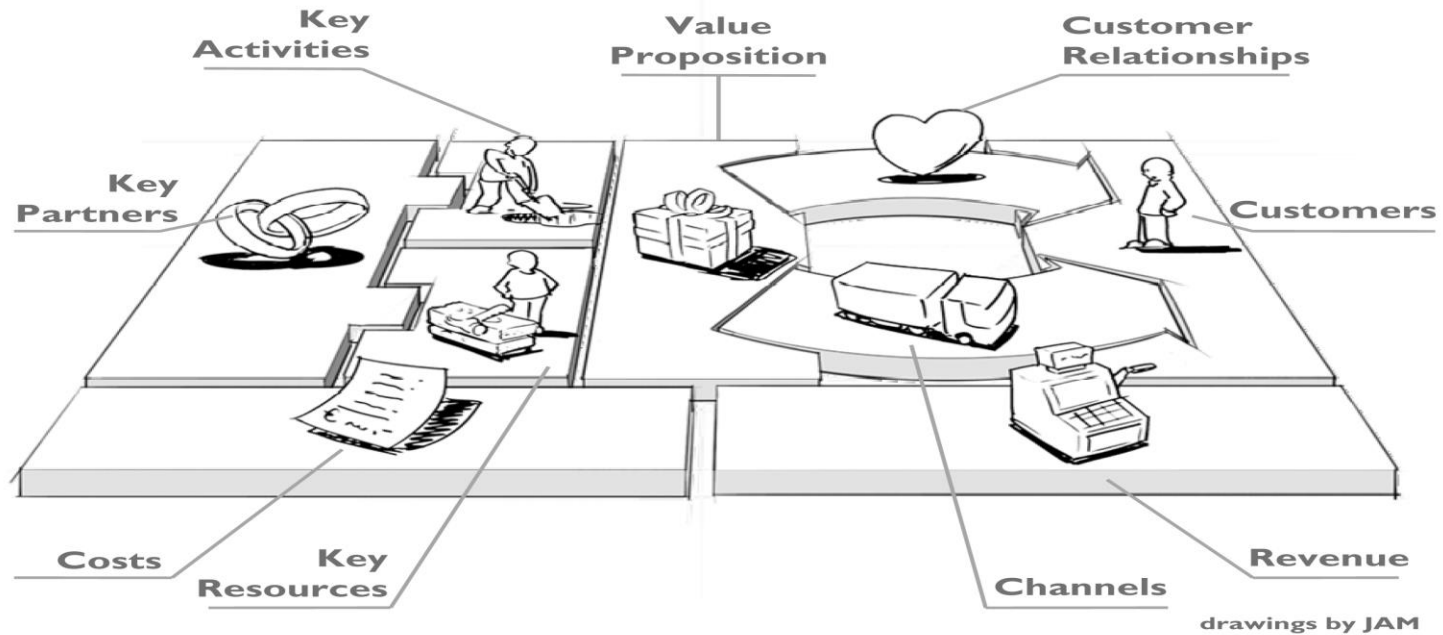
**POSTGRADUATE DIPLOMA IN BUSINESS
APMG 8119: DIGITAL ENTERPRISE
2016**

Company highlights:

- Operating in Australia and New Zealand
- In just 3 year of it's operations, NZ\$500 million transacted by lenders and borrowers on the platform
- 85 new jobs created
- 150,000 accounts created to date across borrowers and lenders
- Heartland Bank and Trade Me cornerstone shareholders
- Shareholders & Stakeholders: 28 companies have invested in Harmony. Main investors are – Roberts Trustee Company Ltd. (40%), Trade Me Ltd. (15%), Heartland Bank Ltd. (13%).
- 30,000 registered users who have transacted.
- Operational partners are Deloitte, Simpson Grierson, D&B, Experian and Centrix.



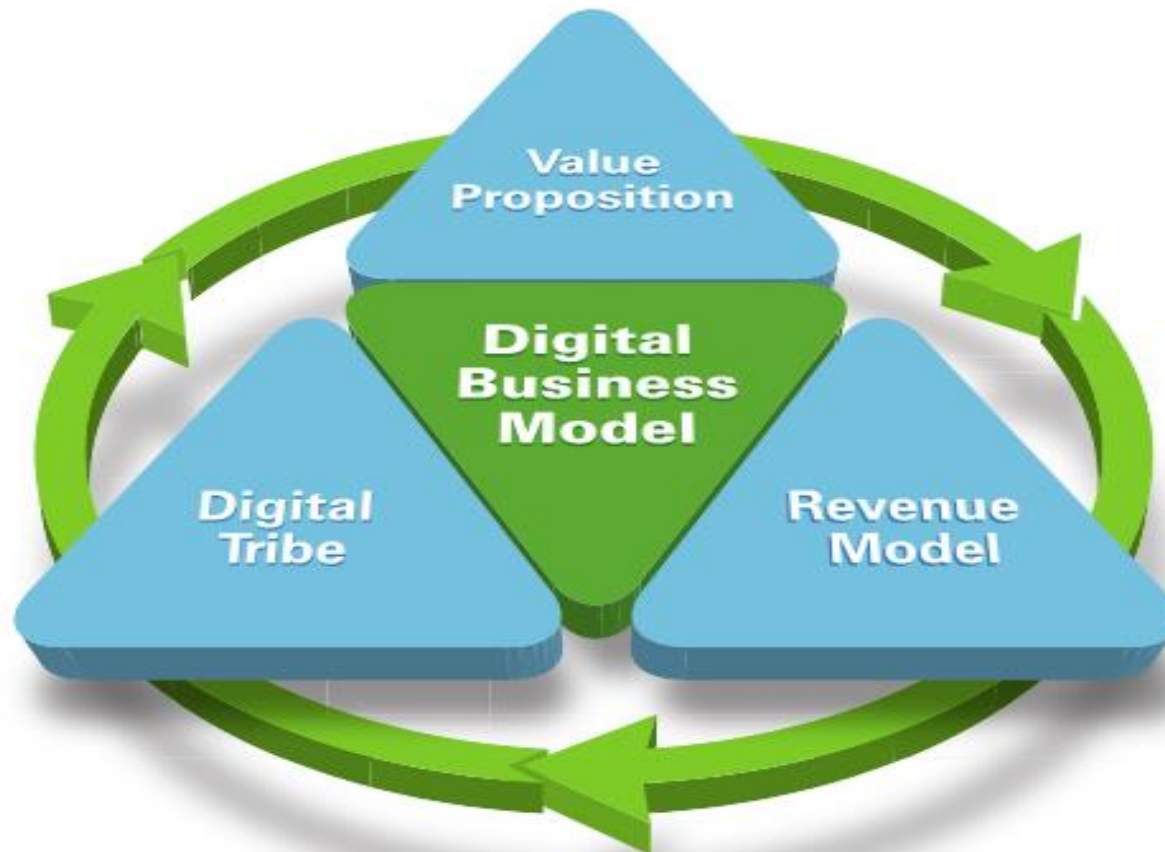
Harmony's Business Model: Business Model Canvas



Business Model Canvas

KEY PARTNERS	KEY ACTIVITIES	VALUE PROPOSITIONS	CUSTOMER RELATIONSHIPS	CUSTOMER SEGMENTS
Lenders Financial Service providers Investors Payment gateways Recovery agents Loan Insurance	Connecting borrowers & lenders Manage the lenders funds Assess risk factors Collection of instalments. Attract lenders to make pool fund	Peer to <u>peer</u> borrowing & lending services. Providing easy loans without heavy bank charges. Providing quick loans to customers (generally within 24 hours). Good investment opportunities to fund managers and people with idle money. No early repayment fees for borrowers.	Send account reports. Send regular investment opportunities to lenders. E-mails to prospect borrowers.	Borrowers: Entrepreneurs Holiday goers Home buyers Car Buyers Small businesses Personal loan customers Lenders: -Investors looking out for investment opportunities -People with idle money
	KEY RESOURCES		CHANNELS	
	Borrower's data. Lender's data. Borrower's credibility data. Funds pool. Peer to peer operating license.		Website Social media E-mails	
COST STRUCTURE		REVENUE STREAMS		
Information technology expenses. Digital marketing. E-mail marketing. Website maintenance and updating. Database management.		Platform fees Note fees Service & Lender's fees Performance fees Payment protect fees Other fees		

KPMG'2009



REVENUE ANALYSIS

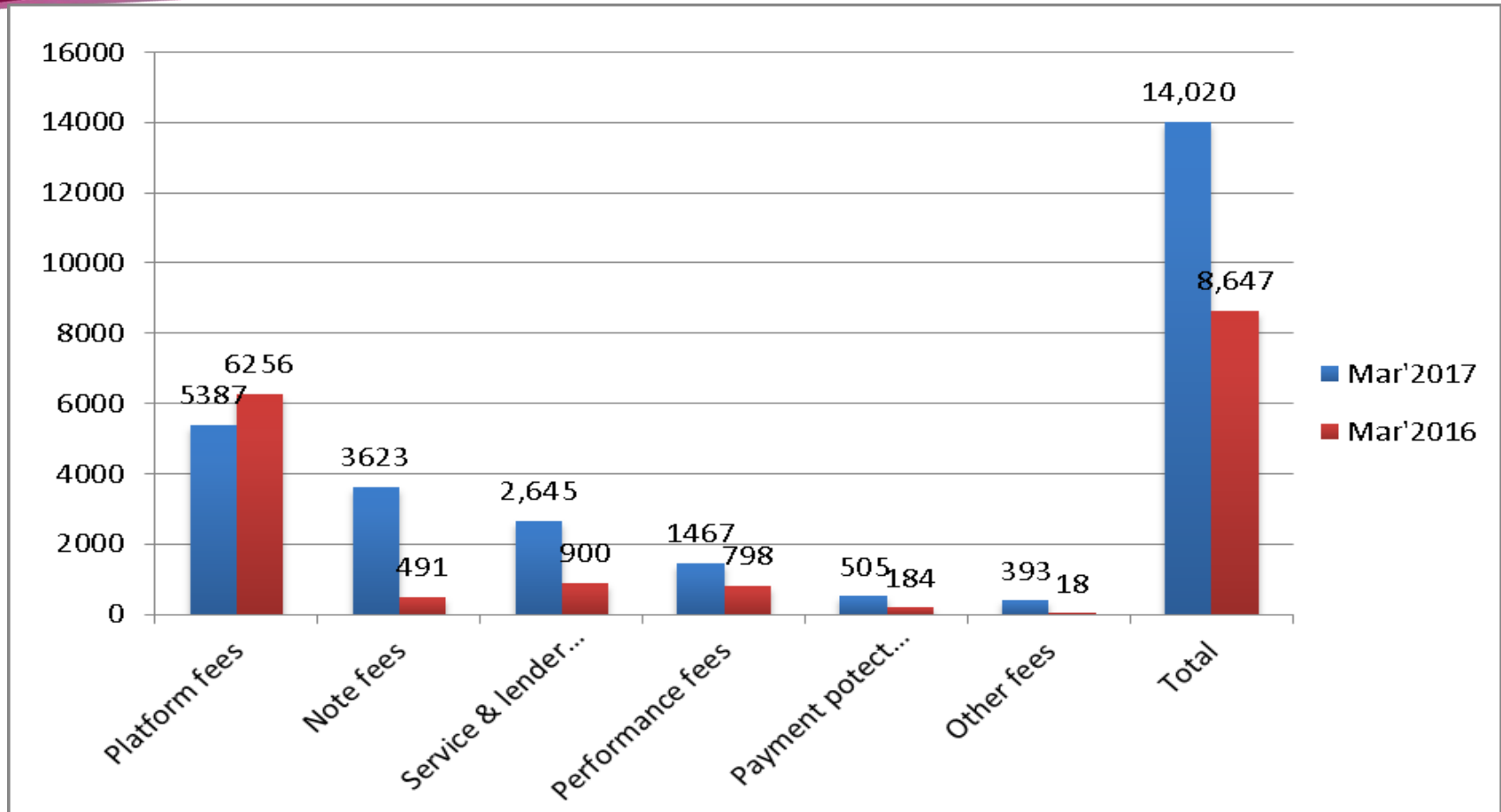
Revenue Facts & figures (FY Ending 2017):

- Net Transacted value: 500 Million NZD
- Total number of accounts: 150,000.
- Net Revenue: 14 Million NZD.
- YOY Revenue growth: 62%

Key Revenue driving Activities:

- Marketing
- Information Technology

REVENUE STREAMS



Risks and Advantages

Risks:

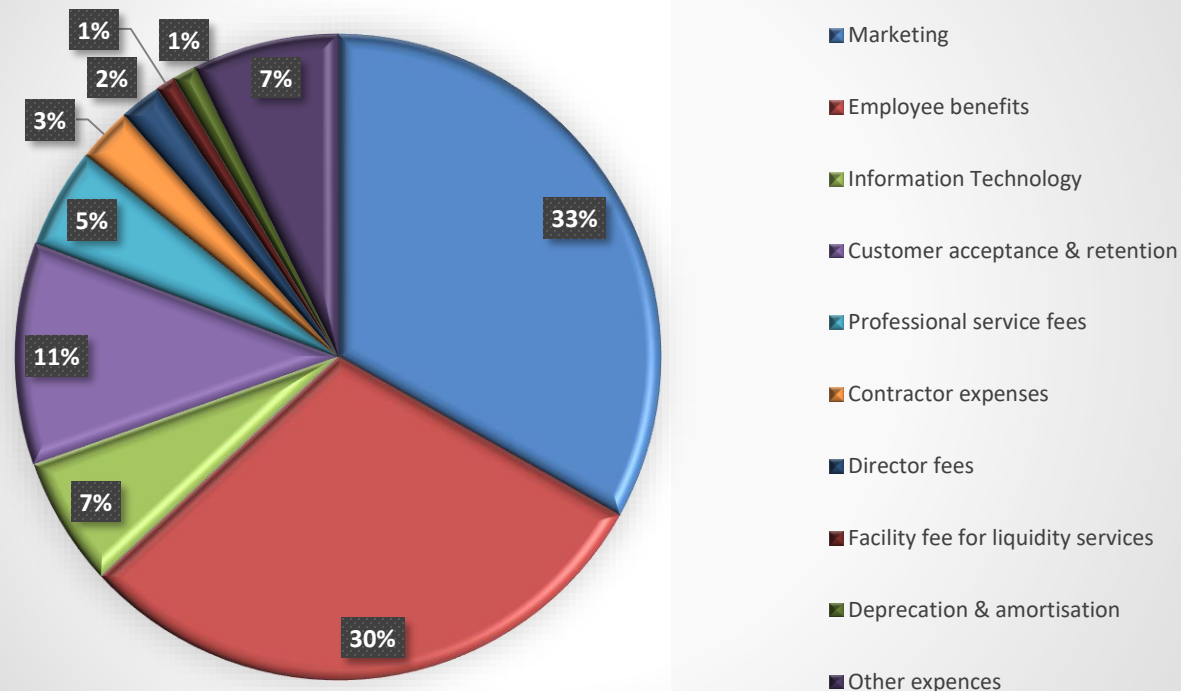
- Defaulters
- Better investment opportunities.
- Bankruptcy declaration by entrepreneurs.
- New entry of big players.

Advantages:

- Quick loan.
- 100% online process.
- Purpose doesn't matter.
- Return on investment.

Harmony's Cost Structure

Component of cost occurrence at Harmony 2016/2017



Risks and Opportunities

- ❖ Harmony's expenses are recorded as more than revenue in last two fiscal years. Hence, firm recorded financial loss due to the cost.
- ❖ Main cost categories Marketing, Employees benefits, Customer acceptance & retention and IT.
- ❖ Losses mainly due to upfront investment in both the people and technology to developing lending platform which is core resource of the Harmony business model.
- ❖ Competition in New Zealand P2P lending market arise continuously due to the new entrants (Lending crowd, pledgeme, LendMe and Squirral Money).
- ❖ Marketing investment helps to elevate customer awareness about Harmony and what it offers.
- ❖ Hormoney's investment on marketing, people, technology and customers can be recognised as an intelligent capital spending for secure future opportunities and mitigate competition risk rather than a cost.

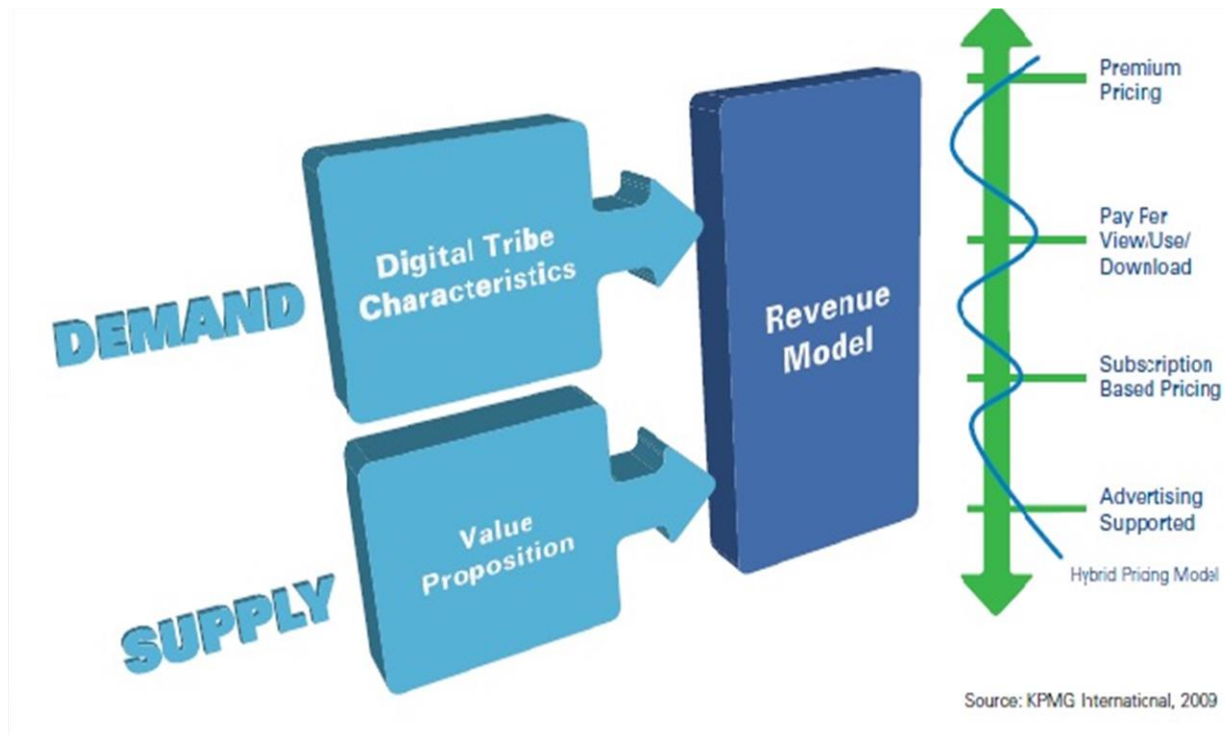
Key Findings



- ❖ 81% of total cost represents, investment cost on marketing, people, technology and customers.
- ❖ Second highest cost category “Employee benefits” contents value of transferred shares to employees’ subject to tenure.
- ❖ Part of marketing cost also paid for cornerstone shareholder Trade Me in the form of shares for their e-marketing services.
- ❖ “Other expenses” which is not specified the component are represent significant percentage (7%) of the total expenses which organization may need to attention for controlling.

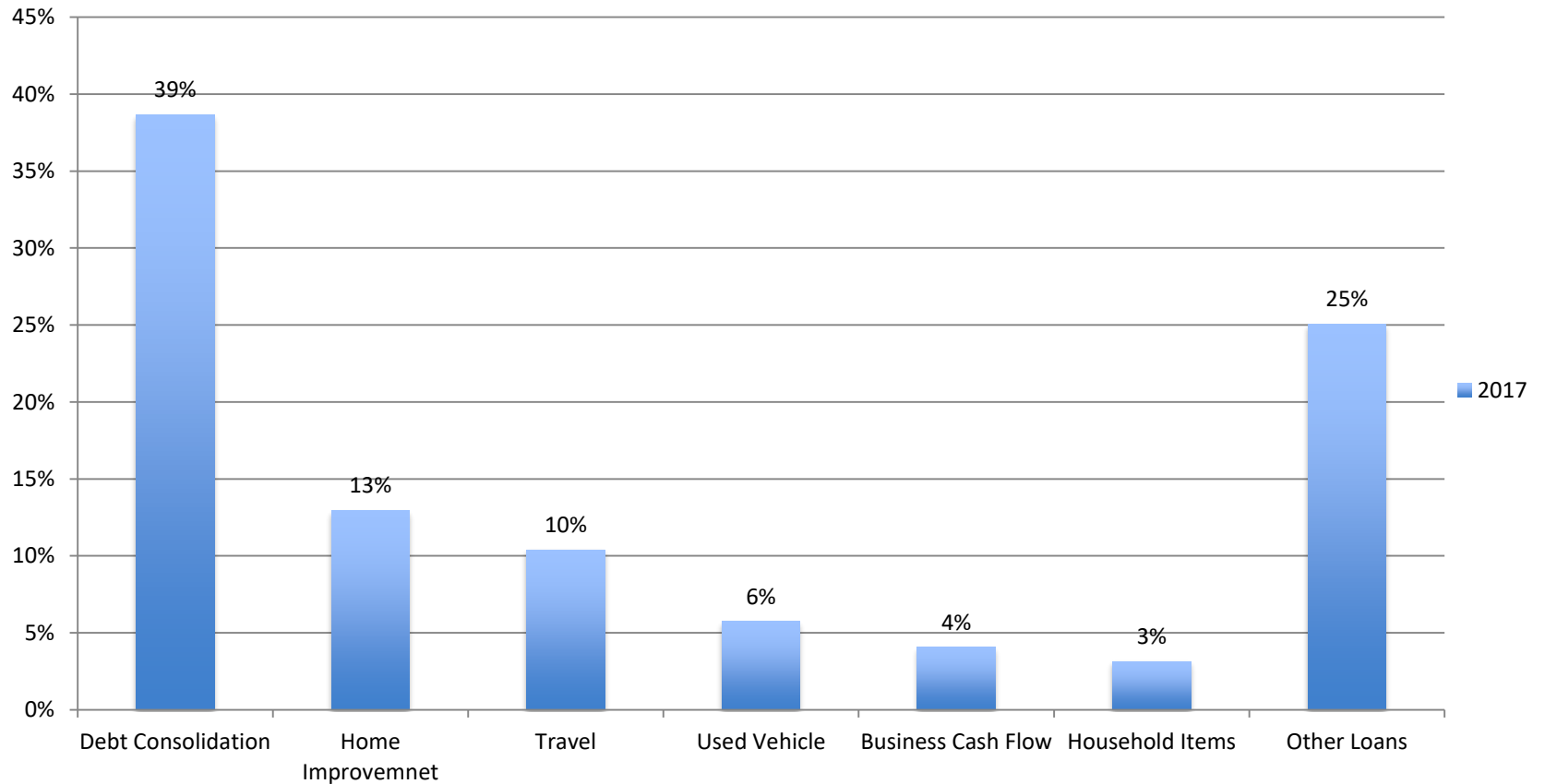
Value Creation

Digital Tribe, Value Proposition and Revenue Model are the 3 components of KPMG's Digital Business Model



Classification of Digital Tribe

Classification of Digital Tribe



Value Proposition

i. INTERNAL C's



ii. EXTERNAL C's



Theoretical Implications

1. The lending policies governed by the NZ government laws, hence change in the current government with elections dominated by any party which is not in favor of lending/ investing patterns can affect the business drastically.
2. The market is also volatile with the current exchange policies, which again is governed by the political parties.
3. The marketplace offers variable interest rates, which can fluctuate with the market trends.
4. Apart from the government being a major factor, reduction in PCI (per capita income) can also affect the savings of the investors.
5. Absence of marketplace locations to access the information readily can potentially cause a hindrance to having investors look to invest in the business model.
6. No hidden fees are included with lending/ borrowing procedure,

Managerial Implications

1. Harmony has the biggest drawback of having to repay loans within 5-year span of time,
2. Early closing of the loan means loss for the lender, as the early repayments draws no special charges on the amount. The officials within dictate the loan amount; hence the amount is termed to have an implication on the interest rate incurred on the borrowing
3. Money used as a loan for debt consolidation can have bankruptcy, which can cause Harmony to incur possible written off debts in the market.
4. New concept of lending and investing introduced in the market has competition from existing players like banks, financial institutions, and other private lenders, which causes the market place to be volatile.
5. Harmony unable to provide a human touch can lead to its downfall as this may help the company representatives to build a rapport with the lenders and the borrowers.
6. Conspiring becomes easy, as this can cause fraudulent events in the future, as the process may involve a strict background check, but may have loopholes within the system.

Thank You.