

Post-Class Summary: P2P Lending Business Models

Key Frameworks

Business Model Canvas for Marketplace Lenders

The Business Model Canvas decomposes any venture into nine interlocking elements — value proposition, customer segments, channels, revenue streams, key resources, key activities, key partners, cost structure, and customer relationships. For marketplace lenders, the canvas reveals a recurring drift pattern: the value proposition and customer segments stay stable, while three blocks quietly rewrite themselves as the firm creeps toward the balance sheet. Key Resources expand from software and a borrower funnel to a licence, a capital cushion, and a treasury function. Revenue Streams migrate from placement fees to net-interest income. Key Activities broaden from matching and servicing into underwriting, funding, and provisioning.

Platform Economics in Marketplace Lending

Marketplace lenders operate as two-sided platforms connecting borrowers on one side and investors on the other. These platforms exhibit cross-side network effects: more committed investor capital shortens time-to-fund on borrower listings, which attracts more borrowers, which deepens the investor pool. The central strategic challenge is the chicken-and-egg problem — attracting the first side when the other side is empty. Most successful platforms attract the borrower side first, because investor capital is easier to pull in once there is loan supply to buy. The cross-side loop is what gives the platform its economic advantage over a pure broker that does not aggregate demand.

Unbundling–Rebundling with a Balance-Sheet Axis

Christensen’s disruption framework explains how marketplace lenders enter: they unbundle a single activity (matching, underwriting for a thin-file cohort, or access to a specific asset class) from the bank’s integrated offering and deliver it better, faster, or cheaper. In marketplace lending the rebundling arc is unusual — rather than adding breadth across product categories, successful platforms rebundle along the balance-sheet-intensity axis. They move from pure-broker services to structured whole-loan sales to own-book warehousing and eventually to a banking licence. The creep is the disruption closing on itself: today’s marketplace becomes tomorrow’s regulated lender ready for a new wave of unbundling.

Value Chain Deconstruction for Consumer and SME Credit

Evans and Wurster argued that information-rich value chains are vulnerable to deconstruction when digital alternatives reduce the cost of coordinating across firm boundaries. In consumer and SME credit, each link of the value chain — acquisition, onboarding, underwriting, matching, servicing, risk management — can be attacked independently. Marketplace lenders typically own the matching link and buy the rest as commodity services: bureau pulls for underwriting, outsourced servicing, and publicly available risk analytics. The firm captures value precisely where information asymmetry used to make intermediation costly, and surrenders the rest to providers that cannot profitably charge for commoditised links.

Regulatory Arbitrage in Marketplace Lending

Marketplace lenders have historically gained early advantages by operating under lighter regulatory regimes than full depository banks — investment-brokerage licences instead of banking charters, peer-to-peer exceptions in consumer-credit codes, or cross-jurisdiction aggregator structures that slipped between supervisors. This arbitrage is inherently temporary: regulators close gaps once transaction volume becomes visible. The strategic question is whether the platform can convert its head start into a durable compliance moat — building regulatory capability before the rulebook calcifies. Platforms that treat arbitrage as a phase survive the close; platforms that treat it as a permanent strategy do not.

Company Cases Summary

Company	Value Creation Mechanism	Key Framework	What Makes It Different
LendingClub	Retail-investor access to unsecured consumer-loan cash flows via a two-sided auction engine, rebundled into warehousing	Platform Economics → Unbundling–Rebundling	Began as pure exchange, now holds loans behind a banking licence
Funding Circle	SME-loan auctions with a rebundling arc from broker to structured whole-loan sales to own-book warehousing	Unbundling–Rebundling (balance-sheet axis)	Rebundling axis is balance-sheet intensity rather than cross-product breadth
Prosper	Matching-layer wedge in consumer lending, with the rest of the value chain outsourced or commoditised	Value Chain Deconstruction	Owns the matching link only; everything upstream and downstream is outsourced
Mintos	Cross-jurisdiction aggregator converting an early supervisory grey zone into an investment-brokerage licence	Regulatory Arbitrage → Compliance Moat	Built licensed capacity within the arbitrage window before the rulebook closed
Auxmoney	Thin-file underwriting where the public credit bureau is shallow, limited by bureau depth in other markets	Context Dependency (Infrastructure Gap)	Data moat is relative to the incumbent bureau, not absolute

The Five-Test Framework

Use these five tests to evaluate any marketplace lender's strategic position:

- 1. Friction test.** Identify the single largest friction the platform removes — for the borrower, the investor, or both.
Application: LendingClub removes the institutional-only gatekeeping that previously locked retail investors out of consumer-loan cash flows while giving borrowers a digital-first alternative to branch intake.
- 2. Platform test.** Determine whether the platform exhibits cross-side network effects between borrowers and investors.
Application: Prosper's early auction design was a pure two-sided match — more investors pulled more borrowers and vice versa, with the platform's role limited to scoring and record-keeping.
- 3. Rebundling test.** Assess whether the platform has begun — or is likely to begin — rebundling along the balance-sheet-intensity axis, adding warehousing, government-guaranteed programmes, or own-book origination.
Application: Funding Circle illustrates the arc clearly: broker services first, then structured channels, then own-book warehousing and participation in public guarantee programmes.
- 4. Infrastructure test.** Ask whether the platform is filling a thin-bureau information vacuum or trying to displace a deep-bureau incumbent.
Application: Auxmoney's thin-file engine is valuable where the public bureau is shallow (Germany's freelancer segment) and far less distinctive where the bureau is already predictive.
- 5. Arbitrage test.** Evaluate whether the platform's regulatory advantage stems from an open, closing, or closed supervisory window.

Application: Mintos illustrates positive-arbitrage conversion: recognising that cross-jurisdiction aggregator structures would eventually be regulated, the platform pursued a brokerage licence under investment-services rules while the window was still open.

Connections to Other Topics

The frameworks above connect directly to several other course themes. The alternative-credit-scoring mini-lecture in the same lesson explores how data advantages in underwriting translate to competitive advantage, which is the engine behind the Infrastructure test for a thin-file platform like Auxmoney. The business-models mini-lecture in Lesson One introduces the broader FinTech Business Model Canvas pattern that marketplace lending both exemplifies and strains — the friction-removal value proposition is intact, but the revenue-stream migration from placement fees to net-interest income shows how rebundling can quietly redefine the firm. The regulatory-arbitrage test also links to Lesson Four on RegTech and compliance, where we examine how technology can turn regulatory burden from a cost centre into a competitive advantage — a strategy Mintos used when it converted its early cross-jurisdiction arbitrage into a licensed platform ahead of the eventual supervisory convergence.