

# Chapter 19

## Marketing Analysis of Emerging Peer-to-Peer Microlending Websites

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### ABSTRACT

*The marketing trends of the emerging sector of peer-to-peer microlending websites have been left largely unexplored during its rise to recognition. Based on a sample of nine popular social lending sites, this exploratory chapter uses observational research methods to analyze the uncontrollable and controllable marketing elements of online social lending websites in order to better understand its present and future tendencies. A more comprehensive understanding based on similarities and differences of the marketing movement within this industry will be the end result of this chapter, and therefore, a more reliable prediction of the future it holds.*

### INTRODUCTION

The sector of microfinance has been widely analyzed since its inception as an entrepreneurial approach to combat poorness. However, studies have been mainly related to the financial, economic, political and even humanitarian aspects of the microfinance, and much less to marketing. This

is a considerable shortcoming because with the growth of competition in microfinance marketing becomes inevitable. The above failing has been even more alarming in the expanding field of peer-to-peer lending.

This chapter aims to proceed with a marketing analysis of the peer-to-peer lending on the Internet. The research method will be based on an exploratory method to discover the peculiarities of the juvenile and fast-changing sector of peer-

DOI: 10.4018/978-1-4666-1598-4.ch019

to-peer (P2P) lending, along with a second step of observation to scrutinize the general orientation of the different peer-to-peer websites with regard to marketing mix elements. If citations are not specified, the information originates in the organization's website. The results should illustrate if the online P2P microlending represents specific marketing peculiarities in its deployment and development.

The marketing analysis of the websites in our sample will distinguish between two sets of factors: uncontrollable and controllable. We will first present microlending within its historical context, and then explore the uncontrollable and controllable variables which influence the evolution of P2P lending online.

## **BACKGROUND: FROM MICROFINANCE TO SOCIAL LENDING**

To better understand the focus of our research, P2P lending, also known as social lending, it is important to differentiate between *microfinance* and *microcredit*. Microfinance is "the act of providing borrowers with financial services such as savings institutions and insurance policies," while microcredit is "the act of providing a loan" (Aubuchon & Sengupta, 2008). So, microfinance encompasses microcredit, synonymously referred to as *microlending*. P2P lending is an evolutionary tangent from the original idea that signifies lending and borrowing between peers and individuals.

### **History of Microfinance: From Jobra to the Internet**

Microfinance began in underdeveloped countries; then it evolved into a business model in developed nations, and finally emigrated to the Internet to take the specific form of social (P2P) lending. To truly understand the character of social lending, one must first understand its roots.

Starting in the 1970s, programs in Bangladesh, Brazil, and a few other countries extended tiny loans to poor entrepreneurs, mainly, women, for income generating activities. These micro-lending" programs were based on solidarity group lending in which every member of a group guaranteed the repayment of all members. If Nobel winning Grameen bank is one of the most famous, it was not the only institution with financial programs for the poor.

ACCION International, founded with by a law student, Joseph Blatchford, \$90,000 raised from private companies, to address poverty in Latin America's cities, is now one of the premier microfinance organizations in the world, with a network of lending partners that spans Latin America, the United States and Africa. SEWA Bank, (SEWA for Self Employed Women's Association), was registered in 1972 as a trade union in Gujarat (India), with the main objective of improving income, employment and access to social security. In 1973, to address their lack of access to financial services, the members of SEWA decided to found a bank. Since then it has become a viable financial venture for providing banking services to poor, illiterate, self-employed women.

With Grameen Bank. Professor Muhammad Yunus designed an experimental credit programme to serve the poor in Bangladesh in 1976. It spread rapidly to hundreds of villages. In this chapter, the Grameen has been chosen as a background for further analysis because of its fame and the familiarity of the average reader with it.

Mohammed Yunus, Nobel Peace Laureate 2006, initially questioned the vagueness of the term "poverty" when designing the idea of micro-finance. Working in Jobra, a city in Bangladesh, Yunus noticed that without providing a distinction between the different levels of poorness, the less poor reap advantages meant for poorest percentage of the population – and those with the least will remain at a disadvantage (Yunus, 2003).

Yunus, for this reason, differentiated levels of poverty in Bangladesh ranging from the absolute

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