

Live Case - parachute

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**To:** Bruce Hodges

**From:** Philip Ozog

**Date:** October 29th, 2023

**Subject** Parachute Canada; Strategic Partnership

**Recommendation: Strategic Partnership with the Canadian Foundation for Economic Education (CFEE)**

Parachute struggles to attract new customers and understand their needs and preferences. The absence of strong networks and partnerships limits their ability to successfully scale and engage with their consumer base. A strategic partnership with the Canadian Foundation for Economic Education will enable Parachute to leverage new customers through the CFEE’s network and existing consumer base. This strategic partnership is expected to reach Parachute’s goal of $100 million in loan volume over the next five years.

**Decision Criteria**

The key considerations for this recommendation are listed below:

1. Aligns with Parachute’s values and goals.
2. Finding and addressing customers.
3. Achieve financial growth of at least $100 million in loan volume.

**Analysis**

**Common beliefs that every Canadian has a right to a successful financial future.**

According to Parachute, their goal is to prove that they can change behaviour to “’ensure the quickest way to financial wellness.’”3 They believe that by working as a “green company” they can profit from doing social good. By 2027, Parachute wants to reach $100 million in loan revenue. The Canadian Foundation for Economic Education believes that “every Canadian has the capability and opportunity to build a successful economic future”. They believe they can achieve this through a non-profit and non-partisan business model and prioritize collaborating with other organizations to improve this cause. They achieve this by educating the four pillars of financial literacy.9 See Appendix A for more information on these four pillars. Together, these companies strive towards a more financially literate and free future, each providing unique resources to obtain this goal.

**Market integration through strategic partnership aligns demographics to expand targeted market.**

Parachute’s and the CFEE’s services are complimentary, meaning they can leverage from each other’s customer base for mutual benefit. The effectiveness of this customer alignment is absolute since both companies target customers of all ages and those who seek financial literacy. Since these companies attract similarly situated people, Parachute can expand its consumer base without access to private financial information as consumers will contact Parachute first through the CFEE’s exposure. Given the CFEE existing partnerships with banks that dominant the market (see Appendix B), this collaboration can facilitate Parachute’s efforts to connect with the same banks, which is an issue they have been facing.9 This provides Parachute with a streamlined opportunity to receive the additional funding needed to issue more loans that may reach beyond their current capacity. Also, given the CFEEs existing bond with Credit Karma, a main source of customer acquisition for Parachute, will further compliment both company’s methods of customer acquisition. A study conducted by Visual Objects shows that 71% of consumers express a strong preference for co-branding partnerships. Additionally, 43% of consumers are inclined to try a co-branded product offered from a company they already liked.1 Such results in highly scalable programs with increased consumer willingness to branch out from their preferred company, ensuring customer loyalty between programs, increasing net promotor scores, and lowering churn rates.6

**A robust financial literacy program will help customers and achieve increased profitability.**

Combining the services of both companies will output financial solutions to terminate debt and provide a more robust financial education program. Establishing an advisory and education collaboration will benefit Parachute the most as the CFEE can incorporate itself into Parachute’s financial literacy programs.4 This way, Parachute can focus more of its scarce capital resources into their personalized solution programs, building loan portfolios, focusing on acquisitions, and write offs, instead of financial education. This aspect is sustainable, since when graduate programs are implemented (see Appendix C), existing or customers referred through the CFEE are more likely to use these services, increasing customer engagement.9 Also, aggressive strategies major competitors and declining unemployment rates cause high demand and supply for loans, which Parachute may now focus on.10 The addition of these options will further heighten Parachute’s scalability, as their targeted customers will branch further than sub-prime borrowers, maximizing the impact of Parachute’s financial initiatives. According to a Ipsos survey by MNP LTD in 2018, many Canadians agreed there is a lack of financial literacy within the Canadian population. Less than 15% of Canadians believe they have strong financial literacy skills, while 39% rate their knowledge as poor.5 Canadians are already seeking solutions towards their lack of financial knowledge. By pursuing reputable programs such as the CFEE, their partnership with Parachute will expose the company and provide a solution, which is an incentive for Parachute to comfortably reallocate their resources to intertwine with the CFEE. With this new method of resource allocation, Parachute is expected to reach its goal of $100 million within five years. See Appendix D for estimation and calculations to reach this goal based on the Ontario population.

**Implementation Plan**

We must immediately setup the partnership by establishing objectives and finalizing legal arguments. Joint webinars will be conducted to inform consumers of the new partnership. Within six months, we must launch pilot programs in market-share dense locations such as Ontario (INSERT). After a year, we should continue to expand to the rest of Canada (where applicable) and into the United States implementing more specialized programs and participating in CSR initiatives. After four years, careful analysis and refining of programs will be conducted with readjustments made accordingly.

**Risks and Contingency Plan**

Several risks are identified in appendix E. The primary risk associated with this strategic partnership is the dependency on the CFEE’s resources and availability. This risk can be mitigated by establishing a Memorandum of Understanding outlining commitments by both companies. A contingency plan is to diversify partnerships with multiple companies.

**Appendix A**

*Menu*. Canadian Foundation for Economic Education. (n.d.). https://cfee.org/

**Appendix B**

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**Appendix C**

It is suggested that Parachute begins pilot programs in the areas of Canada with the greatest market share. Since Parachute favours not expanding to Quebec according to the CEO, Ontario holds the next biggest market share.6 Since expanding to different countries and providing “graduate” or “above subprime” programs was something the CEO of Parachute wanted to eventually implement, this implementation plan encompasses these factors.

**Appendix D**

**What Was Assumed:**

Although the CEO of Parachute has mentioned that their initial targeted market is 40% - 50% of the Canadian population, he made it evident that it was an educated guess. According to the Government of Canada, 65% are experiencing financial stress. So, out of the Canadian population, 26 000 000 will be experiencing financial stress.2 Of this population, 12% are subprime according to WOWA. So, of the 26 000 000 people who are financially stressed, 3 120 000 people will be subprime borrowers. This marks the first point where customers “fall off”, as only 12% of the population is serviced at this point. Expanding partnered programs with the CFEE (Appendix D) will help fix this issue. Should Parachute launch a pilot program in Ontario (see Appendix D), about 801 840 people are located within Parachute’s immediate range since Ontario has 25.7% of the industry’s market share.6 This marks the second point where customers “fall off”, since there it is difficult to estimate how many people with subprime scores have high interest rates (private information). For this estimation, however, a very low amount is estimated based on statistics collected by the Government of Canada. This is precisely what the partnership with the CFEE aims to fix, as exposure through this company will collect similarly situated people in one place without the need to access this information through specialized programs (Appendix D). Although Parachute will not realistically attract all the customers calculated, they will need about 6000-7000 loans made to reach their goal of $100 million by the end of 2027. With CFEE’s marketing strategies, presence, and reputation, it is highly likely that Parachute will acquire its goal in Ontario alone, ensuring the recommendation’s effectiveness, feasibility, and completeness.

*Subprime mortgages in Canada*. WOWA.ca. (n.d.). https://wowa.ca/subprime-mortgage

**Appendix E**

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**RESEARCH NOTES**

PARACHUTE CASE

**Company Information:**

CEO: Bruce Hodges

Founded in 2022, Parachute was a Toronto-based consumer fintech company co-founded by Bruce Hodges and Mark Levitan. There were five team members (Karen, Joe, Mark, Bruce, Caitlin) and three advisors (Melaina, Mike, Darryl)

Primary expenses in the industry included the costs of funds, administration, origination, loan losses, and pursuit of funds owed by borrowers in delinquency.

They had loan options for cars, large purchases, home repair, renovation, debt management, sudden expenses, investing, everyday expenses, school, and retirement.

Two main types of payment plans - fixed-rate loans and variable-rate loans (up to $25,000 each?)

Parachute targeted individuals with credit scores ranging from 580-700

Parachute assisted its customers in three main ways: they offered to reset debt, they provided a roadmap to financial goals and provided financial rewards to clients who were fiscally responsible.

The main way that Parachute reached their target customers was via ad campaigns on Facebook, Google, and Instagram. They expanded their acquisition strategy and increased engagement from consumers with 600+ credit scores via Google, Microsoft, and other search engines. Another way they reached customers was through Borrowell, Lendforall, Finder, and email campaigns.

**Problem:**

* Approximately 8 million Canadians had “near and subprime " credit scores (below 720).
* Canadians were forced to turn to alternative lending sources with interest rates ranging from 30-400% which made a debt spiral.
* Parachute was nearing its pilot target of issuing $500,000 in loans. They needed more money to help fund more loans, operations, and expansion.

**Goals:**

* The company wanted to raise $5 million on a valuation of $25 million by the end of 2022.
* Achieve $100M of annualized revenue by their fifth year of operations.
* Parachute wanted to differentiate itself in the industry by focusing on lending in an ethical and socially responsible manner and helping consumers get out of the debt cycle.

**Profitability Drivers:**

* Fees on loans
* Interest on loans
* Loan repackaging and selling

**Canadian Credit Activity:**

* By the third quarter of 2021, applications for credit were increasing year-over-year (YoY), back to their pre-pandemic levels.
* Mortgages and lines of credit increased from the second quarter of 2020 to the second quarter of 2021 and exceeded pre-pandemic levels as well.
* In the third quarter of 2021, consumer delinquencies continued to decline across all products YoY.

**Competitors:**

* Easy Financial, Fair Stone Financial, and Money Mart. They charged rates up to 47% and loan repayment terms ranged from 9 to 84 months, targeting consumers with credit scores between 550- 700 for normal loans but at times also serviced consumers who fell into the payday lending space (payday loans discussed below). These loans may be considered predatory lending as they had extremely high interest and had hidden provisions that charged borrowers additional fees.
	+ Payday loans were relatively small loans ($100 up to $1,500) that were meant to cover a cash shortfall until your next paycheque. They were typically extended to those with credit scores below 600 and charged rates and fees that could make the effective annual interest rate over 400%12 and terms from 12-60 months.
* ACORN Canada
* Credit Counseling

**Factors to Calculate Credit Score:**

All of these categories were taken into account in the overall score, which could range from 300 to 900

* Payment history (35%)
* Amount owed (30%)
* Length of credit history (15%)
* New credit (10%)
* Credit mix (10%)

**IMPORTANT BITS:**

* Bruce wondered if there were any partnerships that could help Parachute achieve its customer acquisition objectives.
* An important aspect of the plan was that the business model had to create social good. How could Parachute earn a profit while educating consumers so they could make better financial choices and providing consolidation loans that did not charge predatory interest rates?

From the case document (and self analysis):

Many of these will be expanded on with more in depth research.
Immediate Issues:

* **Capital Requirements**: Parachute will need about 5 million (in additional funding) on a valuation of 25 million to be able to expand and issue more loans.
* **Scaling**: Parachute needs a plan that will prove the ability to generate 100 million in annualized revenue by the company’s fifth year of operation.
* **Competition**: Parachute operates in the subprime market environment which is highly competitive. They must be able to differentiate themselves to attract their ideal customer base of credit scores ranging from 580-700.

Underlying Issues:

* **Interest Rates:** The industry for subprime borrowers’ charges higher interest rates than normal borrowers, creating a debt spiral. Parachute needs to balance these rates to remain competitive but also generate profit.
* **Financial Literacy:** Many subprime borrowers lack appropriate financial literacy, possibly causing their financial situation. Parachute combats this issue by focusing on educating these borrowers, but this process requires considerable effort to prove effective.
* **Credit Score Improvement:** Parachute’s business model values improving their borrowers’ credit score. This is heavily reliant on their borrowers to stay committed to Parachute’s financial literacy programs to meet the criteria necessary to improve their credit score.
* **Expansion:** Parachute’s plan to expand throughout Canada and the United States adds stress to follow different regulations, as well as to adapt and build a new customer base
* **Volatile Consumer Base:** Working and lending money to subprime borrowers is a big risk. Parachute must focus and optimize their risk management and contingency plans to minimize these threats and ensure long term sustainability.

Swot Analysis:

* **Strengths**
	+ Parachute has a robust credit scoring system that effectively assess borrowers’ trustworthiness.
	+ Although Parachute targets subprime borrowers, they do so with scores above 580, lowering any risks associated with scores lower.
	+ Parachute is financially stable justified by their ability to offer loans and sustain its operations.
	+ Parachute is within the legal framework and follows regulations.
	+ The company uses data analysis to make lending decisions (minimizing risk).
* **Weaknesses**
	+ Since Parachute targets subprime borrowers with a credit score between 580 and 700, they are missing out on a broader customer base that has the potential to be profitable.
	+ Parachute may seem/become too reliant on credit scores (narrow minded) which will result in lost opportunities to help those who can still financial improve (outside the targeted range).
	+ This subprime targeted industry is highly competitive, challenging Parachute’s market share.
* **Opportunities**
	+ Creating a variety of loans such as personal/business loans or mortgage loans could expand customer base/market.
	+ Implementing financial literacy programs can improve borrowers’ credit scores and expand customer base (loyal customers – low Churn, high loyalty, net promotor score increases)
	+ Following technological trends and advancements can enhance customer experience (i.e., online app, streamlined loans)
	+ Parachute places emphasis on educating customers to form improved financial literacy, collaborating with other counselling or educational organizations can benefit both companies and increase exposure + reputation.
* **Threats**
	+ Any potential changes in regulations will also force Parachute to comply to new standards.
	+ Economic recessions can lead to higher initial rates, directly impacted revenue and profitability.
	+ Advancements in financial technology may provide a more efficient and effective alternatives to Parachute posing a competitive threat.
	+ New companies that offer similar services to Parachute can saturate the market, decreasing the amount of customers Parachute can gain.
	+ Increases in interest rates may impact profitability and loan capabilities, lowering revenue gain.

From the Q&A Session:

Information gathered only from the recording made available.

Priorities:

* **Acquisition of customers/growing market**
	+ How to grow market/company?
	+ 100M of loan volume, not revenue
	+ Most acquisition comes from borrow well/clear well and credit karma (online sites that refer) [RESEARCH THIS]
* **Big challenge**: Meeting customers where they are and finding out where they are.
	+ Cost of acquisition is decreasing (about $500 per loan currently), this is perfectly affordable but still want to drive this down if possible (less capital consumed the better)
		- Dependent on the efficiency and effectiveness of their pipeline (marketing and messaging)
		- WHERE DO PEOPLE DROP OFF? WHY DO THEY DROP OFF? (“Great piece to talk about in the case”)
* **Revenue Model:** If you have a 100M dollar revenue / $15 000 loan size = 6000 loans
	+ They make revenue based on the interest rate spread (which ranges from 24.9% – 29.9%, which is their gross revenue)
	+ Cost of capital is 16.5% (currently, with the intention to drive this down over time)
		- If you look at one of their competitors. Easy Financial, you will see that their cost of capital is only a fraction of that.
	+ **Interest rate spread is 27.99% on average, you can deduct the 16.5% and then also deduct cost of acquisition and loss ratio and any other costs in terms of acquisition (such as maintenance costs)**
	+ **DO NOT PITCH ABOUT OTHER PRODUCTS, THIS IS SEEN AS A DISTRACTION. FOCUS ON CURRENT PRODUCTS AND MARKET DYNAMICS**
* **Other milestones/achievements to consider:**
	+ Loan growth
	+ Parachute’s purpose is to prove that they can change behaviour.
		- The issue that arises with this is that they spend a lot of time building a loan portfolio, focusing on acquisitions, and talking about write offs.
		- **MY PITCH SHOULD HAVE THE SAME FOCUS AS PARACHUTE**
	+ Financial wellness
* **Rasing capital is a big struggle.**
	+ Credit unions cannot invest in tech, etc.
	+ Especially hard to do as a nonprofit.
	+ Therefor parachute operates as a for profit.
	+ There are many ways to gain access to capital, but you must balance that with the venture capital side so people don’t think parachute is nonprofit.
	+ Parachute believes they can make lots of profit not at the cost of their consumers.
* **Competitors can be viewed as coal providers in the environment.**
	+ There is great money in coal, but people “remove it from their portfolio” because it harms the environment, and all the social capital costs.
	+ Parachute compares themselves to green energy, where they can make a return and do good for people (MAIN MODEL)
	+ Venture capitalists want to see a profit (multiple), and they like that parachute tells their own story and change the industry.
* **Characteristics of current customers:**
	+ 39% female, 61% male
	+ 27% live with parents, 16% are homeowners, 57% rent.
	+ Average score is 638.
	+ Average income is $82000.
	+ Average age is 43.
* **Criteria:**
	+ Not servicing new immigrant, no credit bureau, thin credit bureau market
	+ Parachute uses traditional bank lending guidelines to reduce credit risk.
	+ Minimum $30000 income
	+ Middle class issue
	+ No longer funds anyone who has done a consumer proposal or bankruptcy.
		- This is because as of 2019, the repeat rate of these was 20%
* **Would they provide to people over a 700-credit score?**
	+ They would, but not with this product
		- Short answer is no since you can get bank/credit union financing.
	+ They wouldn’t want to go lower since a 530 credit score is already a 1/3 chance of default
* **What is the success rate of parachute consumers?**
	+ Out of a 125 range of customers, they have:
		- 7 payouts
		- 10 write-offs.
			* However, 4/10 are previous consumer proposals/bankruptcies.
		- Loan loss peaks in the first 18 months
		- 1 delinquent loan because of someone with medical conditions
* **Parachute aims to be the first people you call if you have a problem, since most loaners try and take advantage of you.**
* **Financial status of parachute? Is it profitable?**
	+ They had 500 000 loans within their first year, all of which were not profitable.
	+ This year will fall between 2.5 to 3 million loans, if they reach 2.8 million this year they expect to break even or slightly positive.
	+ Financial models get complicated very quickly.
		- But the loans this year will be slightly positive over a five-year period.
	+ Costs are step variable (staff, etc.)
	+ Modelled for 25 million portfolio which would spin off 9-10 million dollars over the five years of that portfolio.
* **Potential budgets, guidelines, limits, parameters**
	+ Investment is largely based on how much they can raise.
	+ They can currently raise 1.5 million.
	+ If you look at next year alone, to do 5 million loans they would need to raise 2-2.5 million.
	+ They are not doing a downround.
	+ Barriers are based on how much they can raise.
	+ Current valuation (current raise) is 4.5 million pre-raise (so they will raise 1.5 million on a 4.5 million evaluation = 6 million post-raise)
	+ Whatever they can raise they can spend,
	+ Upper limit/magic number to spend: 500 cost per acquisition per loan.
		- Avoid million-dollar bus advertising or tv commercials.
	+ Key is to be as target as you can.
	+ They want to meet customers where they are but know exactly where they are.
	+ The demographic they explained is about 25% of the population, but its target market is 40-50%
	+ FIND CUSTOMERS IN THE MOST COST-EFFICIENT WAY
* **Expansion into other Canadian territories**
	+ They are everywhere in Canada except the territories and Quebec.
		- There is no other reason for this other than saving capital and licensing.
	+ They are licensed in all provinces except Saskatchewan, Manitoba, New Brunswick and Alberta
		- This is because those provinces require ENO which they struggle to get because insurance companies are reluctant to insure start-ups.
	+ They don’t have the money to expand to Quebec and the US
* **Desire to expand into other countries?**
	+ **Yes, its not a matter of if, it’s a matter than when.**
	+ Lot of potential in the US and UK and New Zealand market
	+ US venture capitals are much more aggressive than Canadian.
* **Does parachute have any partnership or referral programs with banks or other partners?**
	+ Almost everything they have comes from B2C (business to consumer)
	+ There are other companies that have credit scores.
	+ Who are some b2b partners that would have a mutual benefit with parachute to help make their customer base finances healthier?
	+ **Great area to brainstorm: b2b partnerships that are willing to partner with startups and would fit with their goal on getting people financial healthy.**
		- Banks are slow to move, perhaps avoid?? Credit unions might be the better option.
* **Does parachute have an “bricks and mortar” locations and would they ever consider it?**
	+ They do not have plans, since it would be a significant cost.
	+ They do not really need it from an operative perspective.
	+ They cannot justify the cost.
* Parachute doesn’t have branches as a comparative advantage
* **How has the regulatory environment changed?**
	+ Government opened consultations in the usury lot (60%)
	+ 47% APR – reduced to 35% APR
* **How is parachute acquiring clients?**
	+ Clear score, credit karma, borrow well.
* **When issuing loans to clients who are renting (the main consumer base of the company), what do you do to secure the loans and ensure repayment?**
	+ They are 100% unsecured.
	+ Higher risk type of credit
* **Based on current staff and technology, can parachute handle the increased loan volume that they are targeting**
	+ They can do 5-10 million based on their current staffing.
	+ They would need to increase it in underwriting and customer success.
	+ A good chunk of IT services are offshore, and have a good chunk of development in india and phillipines (could scale there)
	+ Economies of scale
* **What are the main financial services that parachute currently provides and do these services include individual client consulting?**
	+ The majority is the tools that they have on their dashboard (where they can see their month on month spend and do quizzes)
	+ Technology with open banking is very robust
	+ Good connection with customer service team
	+ Piloted with professional coach
* **How does parachute focus on customer turnover ensuring that parachute does not need to worry about caac and how does this number affect future financial analytics?**
	+ People pay parachute out when they can borrow from a prime or superprime lender, or get inheritance, bonus, raise, etc.
	+ Eventually they would love to have prime and superprime products (either to provide to “graduates” or sell to other financial institutions)
	+ Would like to have a referral program.

**IBIS World Online Article: Loan Administration, Cheque Cashing & Other Services in Canada**

<https://my-ibisworld-com.libproxy.wlu.ca/ca/en/industry/52239ca/at-a-glance>

Notes:

Industry Structure:

* Concentration: low
* Barriers to entry: moderate
* Regulations: moderate (increasing)
* Revenue volatility: High (not good)
* Competition: High (steady)
* Buyer power: High (increasing)

SWOT:

* Strengths
	+ Low imports
	+ Low capital requirements
	+ High profit vs sector average
* Weaknesses
	+ High competition
	+ Low revenue per employee
* Opportunities
	+ High revenue growth (WAS increasing)
	+ Aggregate household debt
* Threats
	+ Low revenue growth (decreasing)
	+ Interest rates heavily dependant on regulations/Bank of Canada

These make sense in terms of my own analysis.

* Industry profit is expected to drop 14.7% due to increased competition and regulations. (high revenue volatility)
* 1/3 Canadians cannot cover monthly bills. (as of 2018)
* Industry revenue expected to drop at CAGR of 1%, reaching 1.5 billion in 2028.

“As economic uncertainty persists and new technology creates competition, fees for cheque cashing and other services are expected to be among the first services cut to boost growth in other areas. External competitors are offering similar services at better price and greater convenience.” (IBIS 2023)

* Regulations are capping lending rates and restricted licenses for lenders.
* New technology (paypal, venmo) makes cheques irrelevant.
* Consumer loans are for a variety of purposes (mortgages, line of credit, student loans, etc.)
* Ontario has the largest share of business (but most concentrated in Quebec)

PPFS:

Barriers to Entry

* Legal
	+ Strict regulations
* Start up costs
	+ Very high startup costs
* Differentiation
	+ New entrants have no economies of scale to be differentiated.
* Labour
	+ Intensive on labour (perhaps hire more people?)

Substitutes:

* Peer to peer systems
	+ Online apps/banking allow money transfer online (parachute could already be this)

PEST:

* Political
	+ Volatile to regulations (interest rates, lending caps, etc.)
* Economic
	+ Inflation

**Parachute Canada Company Website**

<https://www.myparachute.co/>

Process:

1. Collects debt into one payment
2. Creates a roadmap to pay it off
	1. Prevents more debt from accumulating
	2. Helps keep track of progress
3. Rewards healthy financial behaviour
	1. Cash back incentive program
	2. Giveaways

**Canadian Foundation for Economic Education Company Website**

[https://cfee.org/](https://cfee.org/about-us/)

About them:

* Non-profit + non-partisan
	+ Provides unique benefits compared to a for-profit collaboration.
* Established funding partners with departments of education, school boards, schools, educators, teacher associations, colleges and universities, immigrant serving agencies, and seniors’ organizations.
	+ Parachute’s business model can greatly benefit from their more robust financial literacy programs. (since they have more funding)
* Works internationally with OECD (Paris) and APEC (Asia Pacific countries)

Their Vision: “Every Canadian has the capability and opportunity to build a successful economic future.”

Their Priorities:

* Give Canadians the knowledge and skills to improve their economic, financial and enterprising capabilities.
* Work in collaboration with key stakeholders, governments, community service agencies, and much more.
* Improve career development and access to opportunity.

Guiding Principals:

* Similar to priorities
* Four “pillars” of CFEE:
	+ Career development capability
	+ Financial capability
	+ Economic capability
	+ Enterprising capability

Four Pillars of CFEE:

* Carrer Development Capability
	+ Provides information to make effective education, training, and career choices
	+ Particular focus on youth (Grade 10 career studies and grade 9 youth)
	+ Immersion in “real-life” scenarios
* Financial Capability (Parachute’s focus)
	+ Builds financial knowledge, skills and behaviours that prepares youth for the future, and helps adults better undertake financial decisions and actions
	+ Crucial to avoid financial stress and anxiety and achieve goals
		- Aligns with Parachute’s values
* Economic Capability
	+ Provides basic economic knowledge to make informed and effective decisions
	+ Important to understand how economic factors influence decisions
* Enterprising Capability
	+ Teaches skills, behaviours and capabilities that help people to start a business
	+ Teaches how to lead a not-for-profit social service agency, household, or school

Other notes:

* They are (silver) partnered with credit karma, one of Parachute’s main ways of attracting customers
* They have a special contact section exclusively for “becoming partners”
* CFEE often runs national awareness campaigns that promote their four pillars (mainly financial literacy as it is the most marketable to society; many people lack it)
* CFEE does not just benefit Parachute, but Parachute benefits CFEE

**MarketLine Online Article: Canada - Retail Lending**

<https://advantage-marketline-com.libproxy.wlu.ca/Analysis/ViewasPDF/canada-retail-lending-152123>

* Covers the mortgage and consumer credit market (majority of Parachute’s consumer base)
* Only for domestic properties
* Market has grown over the past 5 years, between 3.5%-5% growth.
* It is expected to slow in 2022, dropping to 2.8%, but resuming after that
* CAGRE of 4.4% between 2017-2021
* Slashing of interest rates caused this growth of COVID-19 (from 1.75% to 0.25%)
* Anticipated CAGR of 3.4% for the next five years (2021-2026)
* About 70% mortgage credit, 30% consumer credit
* Canada makes up 4.5% of this industry ($1.908 billion)

Five Force Analysis:

* **Degree of Rivalry: Moderate**
	+ Digital lending intensified this competition
	+ Troubling market conditions (post COVID)
	+ Lending is expected to decline, smaller lenders expected to struggle
	+ Major retail lending providers of similar services (no differentiation)
	+ Non-bank lenders and online mortgage lenders are becoming viable substitutes
	+ Fintech is moving customers away from traditional lenders (online convenience)
	+ Limited differentiation in terms of interest rates and lending limits (regulations)
	+ Volatile to economic factors
	+ Higher interest rates means more profits, but less customers. Lower interest rates means less profit but more customers
	+ Largest players dominate market (RBC, Scotiabank, CIBC)
	+ Record low interest rates during covid intensified competition
* Buying power of consumers: Moderate
	+ The market is too large for one customer to significantly impact it
	+ Switching costs are low
	+ Low loyalty, not motivated by loyalty but best rates
	+ After new regulations, 1/10 renewals are rejected
* **Suppliers power: High**
	+ Limited number of suppliers (ICT, software houses, commercial real estate)
	+ Small amount of alternatives
	+ Importance of quality is high in this market
	+ Accumulate payment through credit card transaction fees
	+ “What is more, non-government consumer reporting agencies in Canada, such as Equifax and TransUnion, are important, suppliers for lenders as they offer valuable information on consumers’ credibility.”
	+ Immergence of fintech have become essential for digital software for online financial services
	+ “Borrowell provides free credit monitoring, low-interest personal loans,
	+ and personalized product recommendations using an online application. Financial institutions benefit from their recommendations.” (PARACHUTE USES THIS)
* **New entrants: Moderate**
	+ Vast amount of capital and huge initial startup costs
	+ Companies found most success breaking into the retail lending market
	+ New entrants will especially struggle with no pre-existing branch networks
	+ Market rate remains high (3.9%) but tighter policies around mortgages recently have had an effect on overall mortgage activity
	+ With interest rates spiking down during covid, next to none new competitors entered the industry (no interest rates to profit from)
* **Threat of substitutes: Weak**
	+ Price to rent has been increasing in Canada, reducing demand for mortgage lending
	+ Precautionary savings also act as a substitute against the need for loans
	+ Retail lending has overlap (i.e. overdrafts somewhat act as credit cards)

**MarketLine Online Article: Financial Technology Market (FinTech)**

[https://advantage-marketline-com.libproxy.wlu.ca/Analysis/ViewasPDF/global-financial-technology-market(fintech)-164564](https://advantage-marketline-com.libproxy.wlu.ca/Analysis/ViewasPDF/global-financial-technology-market%28fintech%29-164564)

* These platforms can induce more risk as they do not have strict regulations, which may expose customers to higher interest rates

**Passport Online Article: Consumer Lending in Canada**

<https://www-portal-euromonitor-com.libproxy.wlu.ca/portal/analysis/tab>

* Consumer lending is experiencing revived consistent growth, recovering from the pandemic
* Aggressive strategies and declining unemployment rates cause high demand and supply for loans
* Increased online loans increasing digital transactions
* Financial technologies appeals people by offering easy access to information and financial tools
* Even with high housing prices, mortgage applications rose (by mainly Gen Z consumers)
* Ontario + British Columbia are main drivers in growth of mortgage demands
* Lenders beginning to issue more credit to attract clients post COVID
* Online lending tools were most significant than ever in 2021 and 2022
* There is a favourable outlook for consumer lending in Canada, with steady growth expected
* Interest rates and increasing living costs might hinder growth
* Card lending and mortgaging/housing lenders are predicted to dominate

**Forbes Trade Publication: How For-Profit Companies And Nonprofit Organizations Can Collaborate For Success**

<https://www.forbes.com/sites/forbesnonprofitcouncil/2022/03/10/how-for-profit-companies-and-nonprofit-organizations-can-collaborate-for-success/?sh=5940bb256e98>

* Although fundamentally different in business structure/goals, many often collaborate
* There are three main types of collaborations:
	+ Philanthropic Collaboration
		- Direct donations to nonprofits
		- For-profits funding these donations receive tax deductions and improved reputation
		- Non-profits gain financial support to continue operating and expanding
	+ Advisory and Education Collaboration (Most beneficial for Parachute)
		- Non-profits share their knowledge or service into issues, helping to for-profits overcome these issues
		- For-profits then use this extra knowledge or service to operate more efficiently
	+ Cause-Related Collaboration (Help to create more robust financial literacy program)
		- Nonprofits lack resources in planning, marketing, and technology (on average)
		- For-profits help by “donating” human resources to reinforce these sectors
		- They both create engagement and lower turnover rates

**MNP Online article: Financial Literacy In Canada Lack of Skills And Education Contributing To Surging Consumer Debt**

<https://mnpdebt.ca/en/resources/mnp-debt-blog/financial-literacy-in-canada-lack-of-skills-and-education-contributing-to-surging-consumer-debt>

* According to a Ipsos survey by MNP LTD in 2018, the majority of Canadians agreed there is a lack of financial literacy within the Canadian population
* 94% agrees the curriculum needs to be altered in schools
* 85% wish they had more finance instruction throughout their time in school
* Less than 15% of Canadians believe they have strong financial literacy skills, while 39% rate their knowledge as poor

**Government of Canada: Canadians and their Money**

<https://www.canada.ca/en/financial-consumer-agency/programs/research/canadian-financial-capability-survey-2019.html>

* Younger audiences are more likely to ask friends or family members for help (59%) or internet (51%)
* Seniors are more likely to seek advice from a financial advisor/planner (51%)
* The most common advice sought out was about financial planning (24%)
* Less than half of Canadians (44%) engaged in some type of financial education within the last 5 years
* 49% of Canadians had a budget in 2019
* 88% of Canadian have a mortgage
* 65% of Canadian’s experience financial stress

**Visual Objects Survey: 4 Essentials for Co-Branding Success**

<https://visualobjects.com/digital-marketing/blog/cobranding>

* 71% of consumers feel positive about co-branding
* 61% avoid purchasing products with a bad brand reputation
	+ Make sure both reputations are good before partnering
* 50% recognize Taco Bell and Doritos as co branding
	+ Continued to release products and avid marketing
* Only 5% new about Covergirl and Lucasfilm co-branded products
	+ Failed due to limited time items and lack of marketing
* 43% of consumers would likely try a co-branded product from a company they previously liked
	+ Aligns customers between companies
	+ Loyal customers from one company to another
* 41% believe brand values are an important purchasing decision (GEN Z)
	+ Brand values must align between companies