DIGITAL ASSET FINANCE STRATEGIES FOR SUSTAINABLE GROWTH AFTER COVID-19
CONFERENCE BRIEFING

Expert panel:	Mukul Mittal, vice-president, industry solutions – leasing, Q2
	Ian Nelson, sales director, asset finance, Q2
	Alan Donnelly, head of financial services, Salesforce
	Stuart Doignie, head of fintech strategy and commercialisation, Shawbrook Bank
International Asset Finance Network Online:	David Betteley, senior advisor, Asset Finance International
	Edward Peck, co-founder, International Asset Finance Network Online
	Brian Rogerson, co-founder, International Asset Finance Network Online

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"We are looking at the trends that were already in the industry before COVID started and seeing how they have been changed by the crisis; whether they have been accelerated or decelerated, and whether the pandemic has led to any new trends."

David Betteley
Senior advisor, Asset Finance International

SESSION SUMMARY

David Betteley (DB): Mukul Mittal, what are your thoughts regarding COVID and digitalisation?

Mukul Mittal (MM): "McKinsey talks about 'what is the next normal?'. Are things like working from home operational? Is it going to last? How are demands changing? And what is the impact of digitisation? What's happening on the regulatory front? All of these things are in flux and driving the new normal, next normal as it's being talked about."

DB: What role does straight-through processing have to play in future and is there still confidence in automated systems?

MM: "Speed is critical to move forward and speed also drives that you need to have your institutions maintaining all their credit policies and credit criteria. That's where straight-through processing comes in. You've got to run everything through a process and only deal with exceptions. Your cost of operations has to come down, your speed of transaction processing has to go up, otherwise you are not competitive. Among institutions that went digital, they were able to actually increase their business during this time. And the ones that were not digital, which were trying to stick to their old ways, were suffering; their business volumes came down substantially.

DB: Alan, do you see evidence of companies returning to manual processing?

Alan Donnelly (AD): "I think when the pandemic struck a lot of people were caught short because they were paper based. The ones that had actually managed to get ahead of the game with good resiliency, with good digital processes that had been tested, were able to service their customers.

"They built portals into the organisation to field requests, then they could automate and run the organisation. The first couple of months were chaotic for some CEOs, and I can see why they said they returned to some manual processes, but then I think companies began to strengthen and leverage their digital technologies and capability. Some they already had in place and some they had to put in place quickly.

"We closed our offices, but because we are a digital business, I run my business on my cell phone and on my laptop, so I am still able to interact with my teams.

"I think the challenge has been keeping employees engaged, and we have used lots of events, lots of education, lots of webinars; a mixture was required. A truly digital business by default can operate at home or remotely."

DB: How have you supported your clients with their customer connections?

AD: Through the [Salesforce] platform itself you can connect to other companies, you can connect marketing, sales and service and the various parts of the business together holistically. Ultimately, what we found from our customers was many felt that the business model, business processes, and in some cases the products and services they offer, are not fit for the future. We are helping them prioritise and reprioritise projects and programmes for the next two to three years.

"Customers have pivoted some of their digital programmes and brought them forwards. A lot of companies are now doubling down on giving relationship managers the right tools to easily interact and we have a lot of meetings with boards and C-suites and technology businesses looking at how they can reprioritise what they had planned to do to accelerate change."

DB: "What would be the most important things that companies need to do to remain in contact with their customers?

AD: "I think customer centricity, putting the customer at the heart of what you do, making it easy to communicate with them and communicate with you.

"Cut out all the waffle, cut out all the extra layers, make it quick, easy and fast for individuals to consume your products and services.

"And lastly, I think the customer needs to realise you're giving them a connectivity experience. I think, connectivity, simplicity and the ability to connect and personalise these journeys is very much top on mind."

Brian Rogerson (BR): How do you upskill incumbent staff so they are ready for digital transformation

Stuart Doignie (SD): "When you're trying to bring in technology, certain people will feel threatened by that. Some may think their job will go. But often, it's just a case of really sitting with the teams themselves that are doing the role, demonstrating how technology can help make them more efficient. Most of the banks and lenders out there want to actually grow their business.

"I think when you adopt technology, it is usually to do more of the same, rather than shrinking or taking away people.

"Once you demonstrate how the business can really move forward, I think most people can really see the benefits."

AD: "We gamify education training these days, with badges and awards, and allow people to learn at their own pace and speed. A lot of people are resistant, but they need to see the leaders in the company embracing it as well. If leaders tell them to do something, but do not embrace it themselves, it won't work."

DB: Ian, what risks should asset finance companies be looking out for with all these changes that they're having to make in their business processes?

Ian Nelson (IN): "At the heart of risk is data. The asset financing industry has always had difficulty in having access to data and being able to manipulate that data so that we can understand the risks and maybe plan for the future.

"Digitalisation and modern systems bring that data pool together, allowing us to understand the risks.

"Having data access, linking systems together via APIs to bring information together and cross reference it, is probably at the heart of managing risks.

"You don't need to be a rocket scientist to recognise the tsunami that's probably likely to be coming over the hill in relation to bad debt and the management of bad debt. I think that will be the next test of people's operational readiness, using digitalisation and data analysis to understand what bad debt is going to mean to them over the next year to 18 months."

DB: Can you talk us through how you identify those early indicators?

IN: "It comes back to being able to bring information from a range of sources together into one place. Having a full suite of information would allow a bank, for example, to look at sectorising the data and look at the sectors where there's most likely a risk. Clearly, the obvious one there is the hospitality industry.

"When we talk about access to data, it's about that finite ability to mine the information that you have and use it for the purpose against the operational environment that you're in."
DB: Stuart, what might the operating model look like over the next three years?

SD: "We decided to embark on our digital transformation strategy towards the back end of last year and the start of this year. Being more digital doesn't mean that we lose our identity or that we have to operate completely differently. It means that it at least gives us the opportunity to automate where we want to automate, to feel more of a human touch where we want to feel a human touch.

"As a bank, we really want to significantly grow our business lending book. It was a case of saying, do we want to significantly increase the number of our employees that are going to process these loans and financial transactions? And even if we were to increase our people, do we think we could still attract that new business to Shawbrook in the way we operate today?

"The reality is that I don't think we would do. I think that we're going to continue and need to evolve. We need to be faster and quicker; we need to be simple to deal with. We need to be easy to work with.

"In the unsecured SME space, a number of players are really moving the needle on the time it takes to put funds in the hands of the SME; it's a matter of hours rather than weeks.

"We certainly see technology as a way for us to drive additional business with customers we wouldn't have got historically as a traditional lender."

DB Are you considering changing your business model completely so it becomes all remote working?

SD: "We are remaining quite fluid in terms of our team. Embracing technology gives you that ability to have that flexible model. We certainly don't think we're going to have everyone in the office to be able to process loans. We fully appreciate that new technology is going to give us the opportunity to have that flexible working pattern, I think across our team.

"It's going to be a case of how can we do more volume and do more business without necessarily increasing the cost base that we've got at the bank today."

MM: "Working from home, we cannot have as much time physically with the client, so the development activities can take a bit longer. That definitely slows down the pace of product releases."

IN: "Working from home and digitalisation in the asset finance market brings an omni-channel approach. Being able to work from home and still satisfy customers works well, but this industry is very much about relationships with our clients; it isn't just about the transaction, it's about knowing the industry, knowing the assets and being able to empathise and work with clients in terms of delivering solutions for them.

"Digitalisation can enhance that, particularly from a working from home perspective, because it can take away the stuff that doesn't need that level of engagement, and leave companies with the time to be able to manage relationships.

"From a collections perspective, we come back to the tsunami that could be coming over the hill. I think historically that has been an area where technology has not been quite as strong or as omnichannel. But it's an area where it can be delivered on an omnichannel basis. There's no reason why those working from home can't have collection modules that allow communication between operators and communication with customers without the need to be in the office.

"But, you need to get a balance between the level of digitalisation and the level of customer, client engagement."

DB: Alan, are you assuming that people will continue to work remotely?

AD: "Everyone's working from home until July next year. There is no pressure on anybody to come into the office or meet anyone outside. Ultimately, the positives are that we have gained access to our customers' boardrooms and C-suite better than we would have done in the physical sense, getting people together in a room.

"You can have the CEO in Hawaii at 10 PM and the CEO of a major bank customer in the UK at 7:30am. Previously, we would have had to wait for people to fly in and out.

"When it comes to areas such as collections, a lot of tools have been built, including early warning systems, but collections is just one piece.

"We are calling it 'better financial systems' and it looks at helping to resolve issues; just saying to someone, 'you owe me money, we're coming after you' is just not going to work."

DB: How resilient are these new processes that everybody is building? Are they going to be fit for purpose when business starts recovering again?

MM: "A lot of organisations are taking this step to quickly redefine processes, and are not going through the standard six month, nine month planning cycle. They're taking this opportunity to cut through all the red tape, define a process and test it out. It's more like an agile approach."

SD: "The one thing I think I've been incredibly proud of as a bank is there's a whole bunch of initiatives that we have completed during COVID that we probably would never have done or that we wouldn't have been brave enough to do had we been in the office.

"Whether it is accelerating certain pieces of technology, whether it's improving our management information, or enabling digital document generation and eSignature, I think it has definitely made us make decisions a lot quicker.

"We've adopted things a lot faster and moved towards more of an agile approach of getting something in quickly and then slowly evolving over time. Whereas I think historically, I think we had a tendency to try and perfect something before we launched. Now, it is a case of get something out there, evolve it over time and potentially improve it.

"The workforce across the bank has been adaptable. We have people who normally manage origination now processing payment holiday requests. We have people that would normally be designing the new website creating forms to allow businesses to tell us about COVID impacts and how we can potentially help them.

"We have had to shift to a completely digital postal system. It has all been initiatives which we will definitely not throw away. It is all going to continue in use. A lot of it is going to still be beneficial to me in terms of my future outlook on digital and how we're doing things.

"It has really brought a whole shift in mindset about how we approach things and how we solve problems. As a management team in a room together, you would probably get to a deeper conversation on some of these issues compared to a Zoom call, but it has forced us to be agile."

MM: "There are two parts to any digitalisation process. One is the solution and the second is the adoption or the change management.

"From a solution perspective, the way we have been looking at it is having more pre-packaged out-of-the-box solutions so that people can take it and adopt it quickly.

"The complexity is in getting the change management or identifying the right change management leaders within your organisation who can take it and drive that quickly so that the sceptics can come on board."

IN: "The successful delivery of any project is adoption within the company. I have seen it time and time again, both from the client and the vendor side, where the inflection point on the success or not of a project being delivered, is the adoption of the solution by the client concerned. It is an often-forgotten piece of the journey in delivering solutions"

DB What great examples of leadership have there been during this crisis?

MM: "One CEO challenged his company to disrupt their own business instead of waiting for outside competitor to come in and break them up. That was a really interesting approach. It's still in process, but they've made some tremendous strides."