

LEASINGLIFE



THE RISE OF DIGITISATION

HOW THE DIGITAL REVOLUTION IS EXTENDING BEYOND CONSUMER MARKETS

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Grey areas persist around the implications of IFRS 16 and its implementation

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Belgian leasing appears determined to buck the country's sedate image

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Vehicle technology continues to develop at an increasingly rapid rate

HOW BANKS ARE building their DIGITAL POWERTRAINS

Since the mid-2000s, B2C companies have been developing digital capabilities in order to eliminate friction. Nowadays, for a product to be successful with consumers, it needs to be completely frictionless – available on demand, instantaneously and remotely. But the digital revolution is not confined to the consumer market, writes *Lorenzo Migliorato*

The B2B industry is now in a position where it needs to meet customer expectations that have been substantially raised by experiences outside work hours.

“In our personal life, we are all living with an acceleration of processes through digitisation,” says François-Régis Martin, chief digital officer at BNP Paribas Leasing Solutions.

“Everything is accelerating in terms of digital comfort. From a professional point of view, we no longer tolerate our experiences as clients not being at the same level.”

Aligning the professional experience to the consumer one is never easy, but the nature of finance companies makes the effort even more complicated.

“The job of our partners is not to use our digital tools directly,” says Martin. “Working with a lessor’s [tools] helps to sell more, but their first job is to sell the equipment.”

Lessors may well approach partners with new digital solutions, but these need to greatly pique vendors’ interest before they

are adopted. And even on the lessors’ side, the cost of a digital endeavour needs to be weighed against other factors.

“When we started the digitisation of Leasing Solutions, it was not unusual to sometimes say, ‘The sale is more important to us,’” says Martin.

THE HUMAN FACTOR

The development of a digital tool, then, does not immediately result in adoption at all levels. In other words, digitisation is not just about a company’s technology – it is also about its anthropology.

“Questions such as ‘What are the needs of customers in terms of digitisation?’ need to be asked. But this also applies to the impact on the firms’ own organisation,” says Lars Rüsberg, consultant at afb, a software provider and advisory business that also works with clients in asset finance.

“Digitisation leads to uncertainty. Employees are worried that their work environment is

changing, and they wonder whether their job will still exist a few years from now.

“Companies should get employees involved in the digitisation project at an early stage. The more they understand all the considerations and implications, the better the co-operation and the more successful such projects are likely to be.”

However, that is not to say that employees should be treated as passive receptors. “Employees know the organisation and its pain points best,” says Rüsberg. “Most of the time, change is not about the technology, but about a different way of thinking and dealing with errors.”

Martin seems to have imprinted the digitisation journey at Leasing Solutions to a very similar philosophy. When asked which took more effort to build, the user end or the back end, he says Leasing Solutions’ approach has been to tackle the two simultaneously from the start.

“We are working on the digitisation of the whole value chain, [and] changing staff

attitude is also very important,” he says.

“What we have been doing for two years now is that while we work on sales digitisation, we also make huge management changes for the whole staff. If you do not manage the two in parallel, you face an impossible challenge.”

When it comes to introducing staff to the digital paradigm, Martin relies greatly on events and the social interaction they generate. At first, the events did not bring in many people, but after two or three months, there was hardly a seat left in the room.

The programme was not only about meets and congregations: a mentorship program between employees was created, and media content on topics like digital inheritance produced.

“Each action we took became a success,” says Martin. “We can now accelerate into the next technological challenge.”

GAUGING CAPABILITIES

Any company’s digital roadmap, however, always needs to reckon with the strictly material technological component, and the foundations on which it wants to build its digital infrastructure.

An initial assessment of the level of “digital maturity” is fundamental, says Rüsberg. “This analysis usually identifies some quick wins, promising options for optimisation. Afterwards, organisations should select specific areas for further analysis, and define measures to reduce paper-based processes.”

He adds: “Here, some fields of action include the onboarding of new customers, real-time decision making, contract signing and document submission.”

A holistic approach throughout the contract chain is also crucial. Digitisation is more complex than just providing a mobile app, says Rüsberg.

“In many [digital] process implementations, we see media disruptions. For instance, a user enters some data digitally in an app, but then has to print a form and submit it by mail. The data then has to be manually entered into the core system in the back office.”

This fragmented approach might be enough for a minimum viable product, when dealing with low transaction numbers, but it cannot go much further.

“Sometimes starting with such a modular approach may be useful,” says Rüsberg, “but it is not sufficient for the professional and reliable operation of a bank or a leasing company.”

For instance, if a client is to have a real-

time decision on their application, the point of sale needs to be fully connected to the core systems.

However, Rüsberg says: “Such core systems are often several decades old, do not support current access technologies like micro-services, and require extensive, time-consuming and costly adjustments, even when small changes are needed.”



‘NEVER TOUCH A RUNNING SYSTEM’ WAS THE APPROACH FOR MANY YEARS

In decades-old institutions, legacy systems can seriously put a brake on digital ambitions. “Some applications are similar to the infamous ‘spaghetti junction’: when you make changes at one strand, other strands get moved unexpectedly,” says Rüsberg. “‘Never touch a running system’ was the common approach for many years.”

Yet even siloed systems need to push the envelope if they are to keep pace with emerging tech and demanding regulations. Sometimes there is no other option but to completely rebuild infrastructure from scratch, Rüsberg explains.

However, a gradual approach is also possible: first, tackle the customer interface; then, slim down legacy systems to prepare them for replacement; in the meantime connect them with an interim solution, like an Enterprise Service Bus.

“Hopefully, [by the time the renewal is complete], the company is still profitable enough to operate successfully not only in its traditional business, but possibly in new business too, which can now be entered cost-effectively,” Rüsberg adds.

OUTSIDE TALENT

It would be naïve to think that digitisation is an exclusively internal process. Not only have startups and fintechs been gnawing at established financiers’ customer bases, regulation like the UK’s Open Banking

legislation – which implements the EU’s Second Payment Services Directive, PSD2 – is also levelling the playing field for new entrants and so-called disruptors.

“I think this wave of technological change that we are seeing started back in 2007, with the smartphone, the app stores and the changes in customer preferences,” says Gunnar Berger, Nordea’s head of open banking.

“Back then, that went unnoticed by the banks because we were overwhelmed by our liquidity crisis, and following that by all the compliance that was put on our shoulders. When we managed to come back to life, after three or four years, the fintechs were already there.”

Banks like Nordea quickly realised they needed to act, and brought in people in roles like Berger’s. However it was not merely a game of catch-up.

Berger says: “We did not neglect the risk that the fintechs would take over our customers. We did have a risk scenario, but we decided – or came to the conclusion – that the opportunity side was even bigger. With us, [Open Banking] actually started as a proactive way of trying to grasp opportunities, and not as a compliance initiative.

“I got the assignment of creating an open API platform as well as to establish a partner management programme. On top of that I also got the possibility of getting us up to speed with compliance, but that is just a part of my overall responsibilities.”

Perhaps one of the biggest Open Banking initiatives in Europe is the one BNP Paribas has been implementing throughout its divisions, including Leasing Solutions. The group reaches out to innovators through two types of event: in “jam sessions” like Innovaton, participants identify a problem and sketch a solution in the span of 48 hours, with cases identified potentially being earmarked for further development. In “Hackathon” events, meanwhile, the wish is to reach out to third parties.

“The question is how to manage the talent you are meeting. It goes beyond networking: it is about identifying how to efficiently work with the startups,” says Martin.

Ultimately, the bank’s relationship with disruptors is shaping out to be one of synergy and symbiosis. “We honestly believed that the fintechs were faster and more innovative than us,” says Berger.

“But instead of battling them, we said, ‘let’s join forces’, because we eventually saw that they would have big difficulties in actually reaching out to customers.” ■