Digital Lending: Yes! People: Yes! +

by Charles Wendel

FIC wrote a just published report titled *Going Digital: Current Activities and Future Expectations* for the Equipment Leasing and Finance Foundation. The focus of our report extents to all aspects of business lending today.

Some of the key take-aways from FIC's research include:

Digital is critically important, but lenders are in different stages of understanding and addressing digitalization. In general, small dollar business lenders see digitalization as critical both to reducing their cost structure and meeting customer demands while some lenders to middle market companies see less need for immediate change, perhaps because the end customers are still grappling with digital transformation. Lenders to larger companies have been, in effect, forced to meet the digital requirements of their largest borrowers related to invoicing and reporting, among other areas.

Lenders define digital differently and the pace of transformation varies. Some lenders focus on changes to internal processes while others emphasize the "customer experience," with, for many, an initial push for a front-end digital application. Few lenders look at digital in a holistic way, meaning an approach that reviews the entire lending ecosystem and is open to more dramatic and fundamental change.

Budgets, organizational silos, and, in many cases, lack of senior management commitment, limit the digital focus. FIC's report presents a case study of TIAA Commercial Finance (formerly EverBank) that is taking a more fundamental redesign path, encouraged to do so by its parent. Key Bank Equipment Finance, another case study, is also building digital strengths, but progress is aimed at addressing shorter-term needs for now.

Yes, digital is critically important, but it is a tool that may become commoditized; digital is not an end point. Despite the push provided by some IT firms and consultants (HIRE US! WE ARE HERE TO HELP!), digitalization is a tool that, like other tools can be used effectively or ineffectively. And, in several of our end customer interviews, borrowers pointed out that, in their view, lenders were offering similar digital capabilities, not a unique customer experience.

Relationships still matter. A number of end customers mentioned their relationship manager as continuing to provide the differentiating factor in their choosing a lender, even, if in some cases, it required them to pay a higher cost. The unique customer experience resulted from bankers helping the customer to structure the right transaction and get it done quickly.

Many lenders are not effectively using currently available technology. Lots of dollars are being spent on new technology, but is current, already established and

paid for, technology being used? Lenders have technology in house today (such as E-signature and OCR) that many are not using to the extent possible, primarily due to internal constraints. There are likely many more areas in which current technology is underutilized.

Just this week I had to send some papers to a financial services company that emailed some forms for me to complete. The options for returning them were mail or fax. FIC has not had a fax machine for about ten years. When I asked about scanning the pages, the company said that was not allowed and that faxing was more secure. 1. I doubt that scanning is not or cannot be made as secure as faxing. 2. Bad customer experience.
In addition, when, one afternoon, I called the 800-number for this company, I was immediately greeted by an automated voice that said, "Please wait to be transferred" over and over and over again…seemingly to the end of time. When I found a different 800-number and, finally, spoke with a person, she mentioned that the core 800 number had been doing that since 9 AM, and it had still not been addressed. Not good and a warning that technology can alienate customers as well as help them.

To have a meaningful impact, "Going Digital" requires reimagining the current business approach. As noted above, some lenders focus on specific "pain points" rather than addressing digital opportunities more holistically. It takes time, guts, and management leadership to rethink the basics.

As part of digitalizing, the technology assessment and adoption processes also need to be streamlined and shortened. Agile development has become an often-used phrase, but a gap often exists between reality and agility. Using buzzwords does not make them a reality.

Of course digital and some of its key component such as the application of AI will change banking. The best business banks will learn to exploit internal and customer facing digital solutions while supporting and celebrating the role of the front line staff that many, if not most, borrowers continue to value.