Newsletter March 2016

The main topic for 2016:

Digitalization and Industry 4.0 are changing the corporate finance sector forever

The idea that getting your systems in order is the basis for performance optimization has for several years already been widely accepted in the world of finance. As a result, the 'yes' or 'no' of a loan application is no longer a human decision. It is no longer taken by a trusted bank employee on the basis of a conversion with the lender. Instead, decisions are taken by automated systems on the basis of data they have been fed.

Trust, another basic requirement in business, is currently undergoing a re-valuation in the banking sector.

Those who can accept the inevitable will no longer have liquidity problems, but will have to learn to make the transition from the old world to the new.

Industry 4.0 is bridging the gap between the asset side ('the goods economy') and the liability side ('the money economy') of business. This connection is no longer some structural political necessity, but a part of a new algorithm that is disconnecting itself from creditors in general, and banks in particular.

Advisors, brands and experts are increasingly being replaced by support systems. Only two major market segments will be able to survive: the economy market and the premium market. Soon, banks will no longer be asking their corporate customer advisors to assess companies for risk and price adequate business opportunities, if only because the company's performance capacity will no longer be deemed acceptable. That will see an end to the standard financing segment, in which we traditionally find most companies.

Those who aren't able to timely adapt their financing structures to the new possibilities will lose out in terms of product quality.

The financial strength of a company (its ability to afford giving discounts, agreeing credit terms and arranging machine leases) is now starting to play a role in the goods-oriented side of its products. In fact, it is becoming an integral part of those products.

Soon, a transition will have to be made from a world of banking finance that offered overcollateralization, banking pools and syndicated loan agreements. Existing contracts will have an impact on how much room for change is available.

Companies applying for credit give financing institutions an insight into their various asset classes (real estate, inventories, machines and other assets, receivables) and on the basis of available data from the regulatory authorities these institutions may decide to grant financing up to 100% of the purchase price. Banks are lagging behind in introducing modern IT systems and Banks are lagging behind in IT and are no longer able to perform this role. Financing funds are applied for in tender procedures – cloud services and smart embedded systems are accelerating the feedback and the decision-making process.

The lender now has the ability to determine about which collaterals and assets he is willing to share information with the financial market and selects between the financial institutions within various asset classes, payout, price or handling of procedure.

Analogous to online trading in B2C, prices are set on the basis of the customer's online profile the profile. In B2B, the practice of price differentiation is still permitted. In terms of negotiating contracts and conditions, it pays to have a relationship with a strong broker.

In the export of machines and equipment it is considered par for the course to take the buyer's financing into account when making an offer. This is now becoming standard business practice. Companies with excellent financial resources can team up with their own financing institutions in their respective asset classes. All others have to enter into specific partnerships.

As providers in the premium segment of corporate and vendor finance we connect processes and products with the logic of digitalization. We put our smart digital support systems to work for our clients.

Our expert advice can give you peace of mind in addressing these issues.

Best regards,

PS: please ask about our strategy sessions.

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