



As Digital Transformation in Credit and Lending Evolves, AFSVision® Already Delivers a Value Proposition for the Future

“Digital transformation” in banking is no longer simply an aspirational expression. Nor, for that matter, is it any longer even a serious debate. Banks nearly everywhere have concluded that “business as usual” is not a viable strategy for survival, and that incremental upgrades will simply not enable them to keep pace with competitors, customer expectations and the rapid rate of technology change. The question by now is no longer *whether* to transform, but rather *how* to transform—how to do so in a way that delivers a game-changing customer experience, with measurable and sustainable improvements to operating efficiency, revenue growth, and risk management, all happening in real-time.

That question is now especially acute in commercial and corporate banking, which have been slower to adopt digital than retail banking units, but which lately have been investing heavily in technology in a concerted effort to upgrade systems, workflows and processes to catch up with customer expectations and stave off intense competition.

As a core line of business in commercial and corporate banking, credit and lending will be at the center of this rapidly evolving transformation. Credit lubricates and facilitates every corner of what is called the corporate banking “ecosystem”—cash management, corporate trust, treasury and trade, and the transition to real-time payments. The technology powering the lending business is expected to deliver far more than just superior accounting and transaction functionality. That has become only “table stakes”—sufficient to participate, but not to lead.

The credit and lending engine of the digital future must have the design and structural capability not only to drive the front-to-back credit and lending delivery process within a highly competitive field of other banks. It will also have to integrate that process within a widening and dynamic ecosystem including fintechs, rapid technology innovations, and commercial/corporate customers who are impatient to have the same digital experience they have become accustomed to having as consumers.



Key Highlights

- As banks rapidly ramp up their commitment to digital banking, a full-scale transformation is increasingly becoming a competitive necessity.
- The issue is no longer *whether* to transform, but *how* to do so, to deliver a game-changing customer experience that includes improvements in efficiency and revenue in real-time.
- Credit and lending, which is still in the initial stages of digital, will be at the center of transformation in the corporate banking sector.
- Three key objectives are emerging as necessary “guiding principles” of successful transformation
 - Promoting “ease of doing business”
 - Integrating the corporate ecosystem
 - Ensuring data integrity
- AFSVision, the flagship credit and lending platform of AFS, already delivers these and other future-leaning digital capabilities for credit and lending.



Automated Financial Systems, Inc. (AFS) has been in business for nearly 50 years, and is the market-leading company dedicated exclusively to the credit and lending business. Its flagship system, AFSVision, provides the only fully integrated, real-time, front-to-back platform for the credit and lending market, and is ideally suited to leverage this evolving digital dynamic. As the digital transformation takes hold in credit and lending, and as its business model and parameters begin to establish new market norms, AFSVision is proving already that it can deliver on those future expectations. More than simply a processing and accounting engine (although it is unequalled in both those functions), AFSVision is actually a premier agent for transformation, whose core design features enable and facilitate a strategic competitive advantage.



What does a digital transformation mean to commercial and corporate banking/lending?

After the past few years of broader and deeper digital implementation, coupled with customer expectations that have solidified into near-mandates, the shape and structure of the digital evolution are becoming more visible. Digital banking is now expanding into a larger, broader and more holistic context, in which its real value is not so much in automating particular business processes and services, as it is in automating the business itself.

By enabling the enterprise-wide integration of once-siloed products and services, improving their efficiency through full automation, and speeding their delivery to customers through online and mobile channels, digital banking is enabling banks finally to deliver on their decades-long but elusive goal of becoming “customer-centric.” In fact, digital at its core is not really about new or different products and

services, it is really all about “*delivery*” itself – delivering products and services to the customer faster, more easily and conveniently, more efficiently and relevantly, more timely and accurately, more richly and ubiquitously.

In credit and lending, where digital transformation is still in relative infancy, experts predict that the credit delivery model of the future will anchor and facilitate an entire “ecosystem” of networked players and functions in corporate banking. This digital ecosystem will involve real-time coordination and interaction among customers, bankers, technologists, fintechs, external service providers, other commercial and corporate banking systems, and regulatory compliance. In short, as stated above, the entire *business* of credit and lending will be digitised, not merely its business processes.



Addressing the fundamental drivers of credit and lending transformation.

Consider the chronic operational and service problems that have been a drag on efficiency and the customer experience in credit and lending for decades. Among the most difficult and persistent challenges are disparate and non-integrated legacy systems, siloed business lines and inefficient processes, manual and error-prone data entry, and slow response times, lengthy decision and funding processes. Given this backdrop, time is of the essence for banks to develop and implement their credit and lending digital transformation strategies.

Those that approach upgrading their credit and lending business model with an incremental, cautious strategy that takes one digital step at a time are at high risk of finding themselves in a “race to stand still.” They could expend

enormous amounts of resource and treasure over several years, only to find themselves (at best) stuck perpetually in the same competitive position. In the end, their substantial investment could unfortunately result only in “running the bank” as opposed to “changing the bank,” perhaps never to recover.





To make more substantial and sustainable progress and to move into a leading competitive position to grow credit and loan revenue, a more rapid and comprehensive transformation has become the all-but-necessary course. That transformation, however, must be deliberate and strategic. Digital transformation has no specific end state, and is therefore never the result of a single implementation. It is instead an ongoing sequence of upgrades, efficiencies, integrations and innovation, all guided by a few consistent strategic themes and principles.

Three such principles have emerged as the key drivers of digital transformation in credit and lending and corporate banking. There is growing consensus that these forces in unison underlie the most compelling needs, and consequently the benefits, to be realised in a digital transformation. Any such effort, no matter its scale, scope or timeline, can therefore be expected to pursue these objectives and be measured by its success or failure in satisfying them:



Improving the customer’s **“ease of doing business,”** as the staple and centerpiece of the digital customer experience in credit and lending. Corporate banking customers have long based the value of their banking relationships on the strength and longevity of the relationship with their banking officer. Lately, however, ease of doing business is rapidly gaining ground as the most critical element in the overall customer experience, and even the banking relationship itself. For example, Greenwich Associates has noted in recent research that among middle-market companies, “ease of doing business” ranks equal to “long-term relationships” as the key driver of overall banking satisfaction, and that in the last three years alone, “effective digital channels” has surpassed the RM relationship as the most important driver of ease of doing business.¹



Developing an **integrated technology architecture in the form of a “dynamic ecosystem.”** An ecosystem in this sense, and as it applies in banking, is a customer-centric network through which various players offer integrated products and services. This environment is becoming essential for delivering exactly the conditions and capabilities that underlie “ease of doing business.” Individual business products and systems can no longer stand alone, but must all be connected and coordinated via the cloud, APIs, web services, and innovative technologies like robotics and artificial intelligence.

Any new technology for credit and lending (for that matter, any technology for a defined banking ecosystem) must fit adaptively, efficiently and productively into that ecosystem – both as a participant of the ecosystem, but also as a potential “orchestrator” of that ecosystem. Its value proposition must include the degree and extent to which it best promotes and supports the success of all occupants/participants of that ecosystem.



Ensuring **data integrity** is the foundational “one version of the truth” upon which each of the two principles above will depend. Without consistent, timely and reliable data, and the inherent mechanisms and controls needed to develop it, no digital transformation will deliver meaningful or sustainable value, no matter how new or innovative its technology. That core objective is dependent upon what AFS calls “data integrity,” a term that comprehends the entire set of automated tools and controls in our credit and lending system that define and promote accuracy in data. These include built-in data validation parameters, standardised process configurations, consistent data definitions, workflow rules and controls, exception alerts, “once and done” data entry, and straight-through processing to ensure that data flows through the loan cycle with no risk of human error or data corruption.

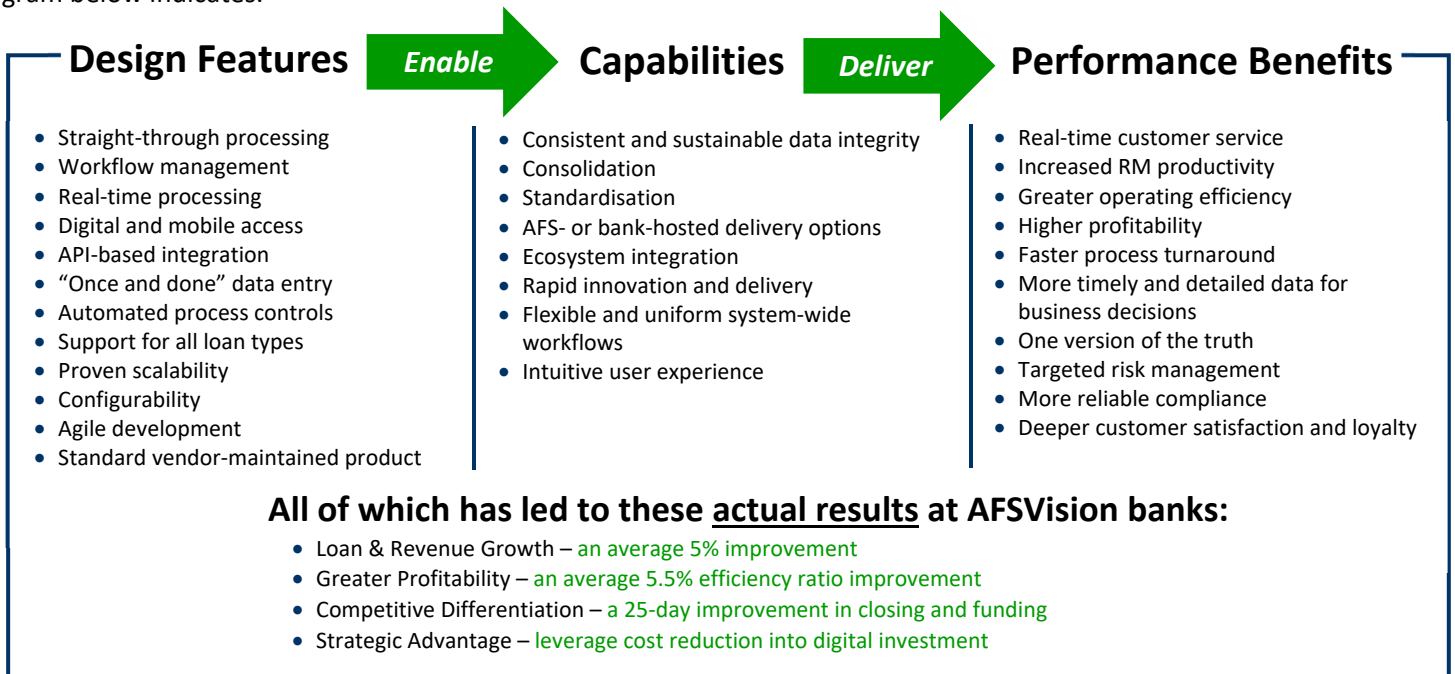


The core promise and benefit of digital transformation.

These three trends may still be evolving now, but are soon expected to become the norms and standards of what we call “market expectations” for digital banking, which are customer expectations that are likely to amount to competitive requirements as more and more digital implementations include them. By the time digital upgrades that may now be in progress are completed and in production, new capabilities that may now be considered “nice to have” could well have become “must have.” That “moving target” prospect should therefore be factored into current digital planning.

Digitisation at its core involves a shift in focus – away from “selling products” and toward “fulfilling customer needs.” Digital technologies are enabling banks to differentiate themselves in areas that have become increasingly commoditised. In product lines like credit and lending, where customers see little real difference between one bank’s product portfolio and another’s, banks are going to win business not so much on the products they offer, but rather on the ways in which they deliver them and the tools available to support and enhance their value.

AFSVision is already “future-proof” by virtue of its design features that incorporate all necessary accommodations for a straight-through customer journey, scalable cloud and web-based integration, and a consistent digital and mobile access. Ease of doing business, ecosystem integration and data integrity are all assured as the consequences and benefits of these features, as the diagram below indicates.



AFSVision delivers on these customer expectations now. There is no need for banks to wait until their commercial and corporate customers clamor for them. Taken all together, a decision to implement AFSVision will be a strategic statement of value, leadership and confidence in the future transformation of credit and lending. The proof will be seen in loan growth, process quickness and efficiency, higher margins, and a loyal customer base.

¹ Greenwich Associates, *Digital Channels Surpass Bankers*, September 4, 2018