


Commercial resilience in an uncertain world



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Today we are facing unprecedented situation, that will have significant and probably long-term effects on the interconnected economy of each and single country of the world. This paper contains some reflections based on Experian global reach that helps us pick up trends and best practices form markets that faced earlier then others the acute effects of the crisis

Lessons learnt and what to be expected next

In these times of global transformation and economic uncertainty, commercial resilience and the ability to maintain business continuity remains the best defense.

In terms of economic impact, the current difficulty arises not from financial causes like the recent crises we have been thru, but it is caused by diminished demand and diminished offer both domestic and import/export.

Notwithstanding the unprecedented situation that makes it difficult to define short- and long-term strategies, we can already reflect on findings and consequent strategies in order to prepare for action and be ready to finetune the approach as the situation evolves.

More specifically we can already see negative impact on the travel and hospitality verticals given the international and domestic travel restrictions and the limitation of groups assemblies.

Moreover, companies that depend on long global procurement chains are struggling with continuity of production and overall the safety and health of employees safe are forcing companies to revisit the way they work with consequent effects on productivity and time to market.

At the same time other types of economic activity are showing resilience or even benefit from an increased demand like essential goods production and relative distribution services (food and hygiene, pharmaceutical and medical), utilities (energy, telecommunication services) and media streaming.

The financial services industry is impacted as well by the current crisis quite in line with the overall country economic impact and at the same time we can see again the strategic role financial institutions play in mitigating the negative impact to consumers and businesses as well as in preparing the ground for economic stimulation and recovery.

If we take as example Italy the first effect of a slow down of the lending activity was detected really only 3 weeks later and it is directly related to the introduction of the first restrictions in the 3 regions of the northern

Italy: Lombardy, Veneto and Emilia Romagna. These restrictions were quite mild and related mostly to school closures, while most of the shops and people facing businesses still operative; in this context the slowdown of lending activity was just 5% compared to the same period of the previous year. Moving forward towards March, the introduction of extensively rigid measures throughout the entire country brought down the lending activity by a massive 60% compared to the previous year.

We register a similar trending behavior in Spain. In this context the lending activity has initially dropped by 20% compared to previous year and we expect to see it worsen as in the 1st week of activity shutdown there is a slight effect of delay due to the fact that the lenders are still receiving throughput applications generated some days before.

The most resilient lenders that still generate new business under the new restricted context are the ones with diversified distribution channels. On one side bank physical branches are expected to still operate, notwithstanding limitations with regards to hours and number of persons admitted simultaneously inside the branch. On the other side the digital channels are proving effective.

Specifically, regarding the digital channels, challenging time like nowadays illustrate the paramount importance of activating digital channels able to sustain an end to end client onboarding and lending application processing without the need for physical interaction. These are the type of players we see able to keep a stable level of new customer acquisition and new lending production in the shutdown countries. At the same time it is equally important for those players that moved first steps into digital channel to accelerate the improvement of their capabilities so to ensure and end to end customer digital journey.



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Moving forward

It is difficult to predict the duration and proportion of the current situation. What is clear through is that the current emergency will end at some point and the economical activity will be florid again in each of the single impacted countries as well as on a global level.

Every business, and the financial services institution do not make an exception, are asking themselves 2 questions:



How can I manage my existing portfolio of clients in a profitable and at the same time strategic way?



How can I generate new business given the current situation as well as the immediate aftermath of the crisis?

Strong incentives are already underway from international organizations like the European Central Bank and from national governments under various forms of liquidity injections, cheaper credit or state funds to support economical resilience, and more measures will be coming soon.

The banks and lenders are doing their share in this with different initiatives like for example suspension of repayments, prolongments of the repayments for up to 12 months or even ad-hoc financing aimed to help companies restart the production process. All these are real example from Italy where the banks had time to think thru some of the initial reaction to the crisis in their intent to support businesses and consumers that have a liquidity crisis but will overcome it.

The right combination of data and the ability to extract value out of it is going to be key for the many decisions the banks and lenders will have to take in the next weeks and months, as the scenario evolution of this unprecedented crisis remains uncertain and the effects of it will come in several waves upon us, reshaping most probably what the new normal will look like moving forward.



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