

Digital Transformation of Financial Operations

Outlook by Top CFOs and Tech Experts

Leading company contributions from



Airbank



Kolleno.

Introduction

While the B2C market has enjoyed the innovations of contactless payment, digital wallets and more, a unique set of **challenges remain in the B2B space**. Most notable of these is the **digitalisation of credit control management**, where optimisation of key processes can convert administrative procedures into **business drivers**.

Upon integration with end-to-end data processing technology, the use of digital solutions for credit control can provide stakeholders with valuable insights that drive superior cash flows and better client relationships. In essence, resources are redirected from burdensome administrative tasks to areas of human expertise, allowing financial teams to instead focus on high value-added activities backed by data-driven decisions.

With a number of experts in Finance and Technology, we further investigated the importance of digital transformation in credit management and what business challenges it empowers us to solve.



Will Neale
Founder of Grabyo
and Angel Investor

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Digitising and optimising credit management can turn an administrative process into a business driver. At Grabyo, the use of digital solutions for credit control provided us with valuable insights - that can drive better cash flows and client relationships. As a result, you can tailor different payment arrangements to each of your customer profiles, driving better experiences for your clients and increasing successful payment to your company.

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The real strength of automation comes with dashboards to track KPIs for financials in real-time.



Sergei Galperin
CFO, Alan



What have you seen to be the main driving factors for your corporate clients to switch to a digital insurance provider?

The main reason for switching to a digital insurance provider was to save on administrative costs. The feedback received says switching to Alan has saved 2 days per month for HR admins who deal with the healthcare of their employees when compared to a more paper-based solution (10% time saved by going with a digital solution).

The second reason is the ease of use. Specifically, easing of mental load. It is much easier to track and be more organised thanks to digital historical records which can be searched very easily.

Digital insurance is extremely convenient for companies growing at a fast pace. With a digital solution, it's as simple as a 'point-and-click' to add new employees onto their platform, rather than filling out individual forms for each employee and mailing them to get them insured.

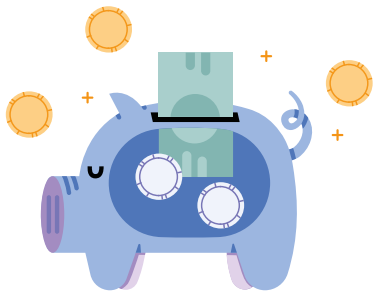
How has automation of financial processes empowered your finance team to make better business decisions and what's your current practice?

Automation allows us to be much faster. Specifically, for the finance department, they're able to close their accounts within 5 days of period end. When it comes to decision-making, automation lifts the mental load of manual processes to allow a greater allocation of resources to more complex decisions that require careful attention.



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The real strength of automation comes with dashboards to track financials in real-time, as you're able to monitor the health of your company instantaneously.

A lot of data frameworks the finance team use on a frequent basis have been built in-house. This is a typical practice - 'build' as opposed to 'buy'. The use of partnerships also comes in as crucial - Snowflake was used as the main database, NetSuite as an accounting software, and Metabase for analytics. A lot of the back-end and core technologies are built in-house, using APIs to connect what we've built with other third-party providers.



How do you currently handle your credit management processes and how has digitalisation overcome any associated challenges?

Credit management is currently dealt as a rather hands-on process. Dashboards flag if a payment hasn't been paid on time (i.e. 30 days overdue), triggering internal steps, such as follow-ups with the customers. We have documented the process in our internal systems so relevant Alaners can take the necessary steps even if they are not trained experts in debt recovery.

We believe that our collection process can be optimised further and it's something that we would like to focus on before overall losses potentially become material (they are currently not).

The major enabling factor here was the open banking initiative - driven by PSD2



Christopher Zemina
CFO, Airbank

Airbank



Thinking back to starting Airbank, what were some of the barriers to the digitalisation of financial processes, and how are these currently being addressed?

Every day, 200 million SEPA payments are sent all over Europe. And every day, thousands of finance professionals try to make sense of those payments, asking what they were, why they happened, and how to book them. Airbank was born out of the observation that businesses need more simplicity and better control when it comes to managing their finances and cash flows.

Bank accounts are the core to all financial workflows - everything runs through them. That is why we decided to reinvent the way businesses interact with their bank accounts, as well as the value they can obtain from them.



There could be a lot of value in having APIs and connecting all those different software solutions- this is something we are also working on



We have built a modern cash flow solution that is based on PSD2 (open banking). We allow businesses to connect existing bank accounts to enable real-time insights into income and expenses, to plan ahead and to categorise all the transactions on the bank account. The interface shows the transactions by type and category, whether they are recurring and we predict what transactions will likely come up in the next month to give users a more automated cash flow forecast.

The major enabling factor here was the open banking initiative - driven by PSD2, the payment service directive of the European Union. It allows third-party providers, including FinTechs, to access bank account data via APIs.



In what ways have you seen your clients enhance their financial operations following integration with Airbank's digital solution?

Our target customers are CFOs and finance owners in small and medium-sized businesses with 5-200 employees. We simplify financial management and give them back their time so that they can focus on what really matters – their businesses.

Airbank accesses all of the banking and transactions data and pre-categorises each individual payment. The customer is always in control and they can overwrite categories, as required. It is possible to download this information into Excel for further analysis.

What impact is this making on transactional costs for SMEs?

Most of our users still use bank-to-bank payments that are free to use. The biggest expense items, such as salaries and rental payments are based on bank-to-bank SEPA payments or similar- this is where the majority of volume lies. A lot of startups are focusing on card spending and expense management, which is a great solution for tail spend. Of course, the amount of transactions is quite high, but most of the payment volume passes through the bank account - most users are dissatisfied with the way it works.

We give our customers more visibility and control, and we help them simplify and automate daunting tasks in finance management. Some users have already saved thousands of euros by finding excess expenditures that their Excel sheets did not uncover.

Enterprise and B2B applications can learn a lot from looking at consumer-focused applications



Leon Ginsburg
CEO,
Sphere Partners



How has the B2B marketing space for digital solutions in finance evolved in the past five years?

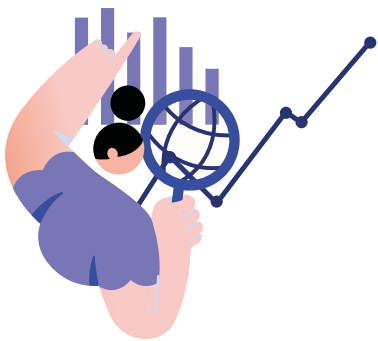
Marketing technology ('MarTech') has grown over 5,000% since 2011, now with over 8,000 solutions for every need under the sun. chiefmartec.com has a landscape visual that shows how large the space is and indicates a crowded field that is both disruptive, and ripe for consolidation.

Businesses large and small are realising that decreasing friction in the user experience is one of the best ways to maintain stickiness with existing customers and to acquire net new customers. Quicken Loans (Intuit) created a paradigm shift with Rocket Mortgage, making the complex process of applying for and getting a mortgage or refinance as easy as using a mobile app. They eliminated most of the friction inherent in the mortgage process and in doing so have been able to acquire customers that might not otherwise have undertaken what is usually a huge headache. Tools like Mint.com allow users free access to combined accounts, while presenting financial offers in-app - another example of platforms driving a high user value exchange by reducing friction for the user. We also see this playing out across businesses of all types - especially in FinTech consumer applications, with Marketing teams more heavily involved in conversion rate optimisation and lifecycle centricity being more important to driving lifetime value instead of focusing only on net new customers. Enterprise and B2B applications can learn a lot from looking at consumer-focused applications.

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In a complex B2B sales process like ours, from a marketing perspective we seek to minimise friction with our prospects and customers

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What have you found resonates with businesses the most when communicating the value created by your solutions?

Sphere offers a variety of complex solutions capabilities; it is not always easy to communicate value up front, and in a complex B2B sales process like ours, from a marketing perspective, we seek to minimise friction with our prospects and customers. Our marketing team does this through the use of website functionality like chat, and the opportunity to learn more about what we do with multiple types of content that show our expertise and authority in our space. In marketing we often use the acronym E.A.T - expertise, authority, trust and we seek to demonstrate our capabilities with our clients and prospects through that lens.

Based on interactions with financial clients, what would you say is still missing from the digitisation space?

Our digital marketing team seeks to better model user interactions (events) and attributing those events to the lifecycle of where the user is at in their journey. In marketing and sales, we model these stages back to revenue in a waterfall model to determine how much activity at what stage is needed to hit our goals. We are always challenged to understand where the user is at in their journey and attract them to the next stage. Attribution is seen as achievable in the digital realm, but it is still the holy grail of digital and most people still look at the last interaction as a gold standard in attribution - even for complex long sales cycles. Of course we know that's a very poor mechanism to attribute a conversion or sale in the modern era. In short, digital transformation needs stakeholders in companies large and small to embrace a Revenue Operations mentality that puts the customer experience at the forefront of how the business delivers value, by breaking down some of the barriers within how internal teams deliver business value. Operationally, that means stakeholder engagement across the customer journey.

The COVID-19 pandemic has had a radical impact on the norms of how people work, live and play



Igor Meltser
Vice President, Global
Tech Solutions and
Services, Sphere
Partners



In what ways have you seen your clients transform their financial operations following greater tech implementation?

We have seen a variety of ways our clients have transformed their business and elevated their technical capabilities and stature by working with Sphere. In addition to the typical cloud transformation initiatives yielding increased efficiencies through automation and decreasing human errors throughout various internal business processes, our clients are also able to leverage A/B testing frameworks within various parts of their business. Some areas as an example are on the sales and marketing side to assess which campaigns or website content work best for their potential clients, or internally establishing A/B pathways for profit optimisation by utilising varied models when processing clients and their requests. At the end of the day, Sphere's goal is to help our clients to become more effective with their technology, and to work with them to enable a new capability or service for their business and their clients.

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We have seen a major shift to mobile self-service tools in particular, which change the traditional ways of customer interactions with businesses and service providers

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How have your clients been able to reduce the adoption lag of new technological innovations?

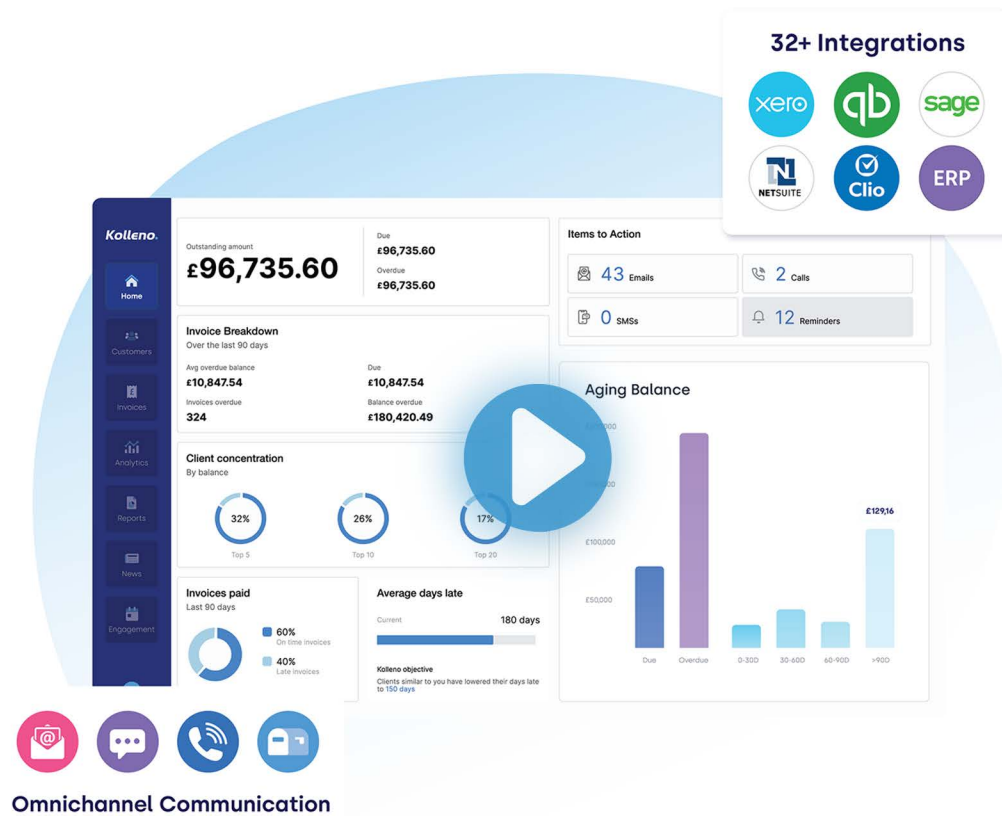
One of the main reasons we are seeing a lag of adoption of new technologies is due to the lack of expertise and experience of the new technology within the organisation. Businesses are aware that if they are to stay competitive, they must innovate, evolve and “keep up with the Joneses.” However, the risk of adopting new technologies, the operational change involved with adoption, and the uncertainty of what is the best way of adoption of the new technologies are often the driving factors for analysis paralysis. Our clients are experts in their industry, who eat, sleep and breathe their industry to stay ahead of the competition.



They are often unable to take their eyes off the prize, and divert attention away from their core business to keep up with the constantly changing and emerging technologies. Sphere, on the other hand, are experts in new and emerging technologies, and it is our business to partner with companies that rely on our expertise. This collaborative partnership is how our clients are able to bridge the gap between their technology needs and technology expertise, and to be able to leverage current and new technologies to further their business results.

Post COVID-19, where have you seen the importance of financial digitalisation most notably?

The COVID-19 pandemic has had a radical impact on the norms of how people work, live and play. Specifically, for the financial sector, we have seen an emergence of immediate self-service tools which our customers had to quickly and securely develop and roll out for their customers. We have also seen a major shift to mobile self-service tools in particular, which change the traditional ways of customer interactions with businesses and service providers. Expectations of 24/7 accessibility, intelligent service bots, and the ability to cross-connect one's financial services vendors to work seamlessly with one-another is an ongoing expectation of customers, while it's an ongoing challenge for service providers. This new way of working, living and playing carries with it a heavy burden of security and privacy, established and enforced by numerous regulatory agencies and bodies. Financial digitalisation and keeping up with the expectations and regulations of the 21st century is an ongoing balancing act which persists, and is in large part driven by the changes in a post-COVID world.



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