

 A CHANGING ECONOMY



WINTER IS COMING: A CHANGING ECONOMY CAN MEAN NEW OPPORTUNITIES

BY ADRIAN HEBIG



Over the last year or two, an economic downturn seems to be just out of sight over the horizon. But despite the chill in the air, Adrian Hebig believes that a changing economy can actually offer new and interesting opportunities for companies who prepare ahead.

Is it winter across the United States yet? Despite the cold snaps hitting the Midwest and Northeast, the answer, at least according to the calendar, is “not quite.” But it is coming, even if we’re never entirely certain when the worst of it will be over. The winds change with rising portfolio delinquency, air temperatures drop as does new volume, and leaves hit the ground as margins fall, potentially signaling a harsh winter or recession is on the way.

KNOW YOUR MARKETS

For the few of you that were not Game of Thrones followers, the phrase “Winter is coming” was elevated to pop culture vernacular by the hit HBO series that ran for 7 seasons. It primarily served as a warning to all that lived in the mythical land of Westeros that a major negative life event or kingdom-altering change was inevitable; it was a just a matter of time. The medieval characters, in addition to fighting for power, were consistently planning for a change in both the literal and metaphorical weather, always with an eye to the sky and ear to the ground. In our world of equipment leasing and specialty finance, events like the stock market plummeting 600 points in a day, the yield curve inverting or international strife can potentially be seen as our own drastic upheavals.

Many economists suggest winter is indeed on its way. They allude to the 11th year of an economic growth cycle that is



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unprecedented, while global trade wars continue to cause business angst and uncertainty and legislators joust each other to a standstill, apparently unable to get on the same page.

However, unlike the fictional Westeros, should the coming of winter be seen only as a sign of negativity or could it be an opportunity for something different? For Minnesotans and many in the Midwest, the chance to get outside and ski, ice skate, play hockey or even ice fish is often seen as a positive. Change can be embraced, with new opportunities, products and services created in anticipation of the winter months.

GREEN AND GROWING

A wise man once told me, “You are either green and growing or brown and dying through all seasons.” A fairly simple, direct and obvious statement. Without seasons, there is no green and growing. Without sun, rain and wind, nothing has the opportunity to regenerate or expand.

This philosophy kept things simple, without his business getting whiplashed by economists, data points, tweets or politicians, and helped create a specific sort of work culture. This mentor knew his customers, his markets and the value his company, products and services provided. He embraced change as opportunity by constantly expecting and preparing for it. It allowed him to focus on what he knew he could control: meeting the needs of his customers.

How has that changed for us today? In reality, probably not very much, other than utilizing technology, data and modeling previously unavailable to understand our customers better. For instance, at Channel Partners Capital, we use our systems to help us know in real time what’s happening with both our products and customers, allowing us to adjust to unexpected storms. Among the various metrics and data points we use are:

- Daily portfolio review, which can red flag performances or trends
- “In the door” application insights, the customer data which signals changes to the market landscape
- Third-party external data, such as expert advice, studies or surveys
- Fraud protection features to ensure the systems and processes in place will flag potential fraud
- Early warning triggers for delinquency, specific industries or even current events. Catching such things early can mean the difference between a lesson and a loss.

By keeping these data sets in place, we can also better work with our partners’ business models, ultimately expanding their customer success rates in all seasons.

Whether you see your customers as vendors, manufacturers, distributors or end users, having the right mix of products and capital sources allows these businesses to grow in the spring, summer, fall or winter. Equipment leasing, working capital, factoring and asset-based lending are all examples of products designed to remain evergreen, especially in the wake of the winter of 2009.

BE PREPARED

The more we know about the changing seasons, our partners, their customers and opportunities to help them succeed, the more we can navigate any level of change.

Ensure your product offerings and value are applicable to all circumstances, both summer, when things are warm and free-flowing, and winter, when things are cold and frozen. Knowing what your customers need in whatever condition they’re operating in, allows for continued value and opportunity regardless of air temperature or snowfall.

The equipment leasing space, more so than ever before, has the products you need to survive the winter and meet the needs of customers. Equipment leasing and specialty finance companies look for creative ways to ensure that their customers keep coming back. Taking advantage of better and faster technology can give organizations the foundation they need to protect themselves during the coldest months.

There is no doubt: winter is coming. But the changing weather doesn’t need to be viewed as an ending. Use the change in economic circumstances to explore new beginnings and prospects. Be open to new ideas, new concepts and new partners. Be prepared to participate in change and opportunities as they come, and embrace the cold! •

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