



**ASSET MANAGEMENT**

## WALKING A MILE IN TWO ASSET MANAGERS' SHOES

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*Technology can transform the daily processes of asset managers. To illustrate the dramatic difference it can make, Kevin Sensenbrenner and Martín Klotzman take us through a typical day in the life of two asset managers.*



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How fast is modern technology evolving? To put that question into perspective, 41% of all global computing power was in pocket calculators in 1986. In the last two years, 90% of the world's data was created. Today, the earth is home to more interconnected devices than people, and the size of the digital universe by the end of 2020 will be 44 zettabytes (that's 1,000 to the seventh power!), a 10-fold increase since 2014.<sup>1</sup>

Business processes and technology have become inseparable because as technology continues to evolve, so do customer expectations. Companies that embrace new technologies strengthen their competitive position in a rapidly changing business environment. Technology provides a real solution to asset managers who are dealing with sophisticated lease portfolios and intense pressure to produce profits.

Asset managers typically have impressive, yet largely manual, processes in place to perform their jobs. As the demands of asset management continue to become more complex, having robust real-time data and well-defined, streamlined and repeatable processes are imperative for an organization's success.

Most equipment finance asset management departments focus on four critical functions

— valuations, early and end-of-term dispositions, asset remarketing and portfolio reporting. They also provide industry and collateral research, asset inspections and a variety of advisory functions to the business.

An asset manager plays an essential role in every leasing and lending business by providing asset valuations that assist with developing profitable lease transaction structures. Once a leased asset is in the portfolio, the asset manager tracks asset values and residual exposures over the life of the lease or loan. At lease expiration, the asset manager facilitates the disposition process by providing customers with options to renew the lease, purchase the assets or return the assets. Should a customer return the assets, the asset manager will determine the most appropriate exit strategy and remarket the asset in the most profitable manner.

Despite being critically important to the business, a consistently troubling aspect of most asset management departments is their reliance technology that pre-dates flip phones.

To see the effect of this problem, let's explore a "day-in-the-life" of two asset managers — one relying on primarily manual processes and the other using the latest technology.

## A DAY IN THE LIFE — MANUAL MARK

Mark is an asset manager at Legacy Leasing Group, a 40-year-old, mid-ticket lessor that primarily leases construction equipment. He begins each morning with a venti Starbucks coffee, navigating an email inbox full of industry newsletters, advertisements and internal customer requests.

Internal customer requests come from across the company — sales, credit, accounting and auditors — all asking for different things.

Mark begins work on a valuation request for several cranes and realizes it is missing key information — the equipment models, options and years. Mark calls the salesperson, but unfortunately, he's sent to voice-mail. Stuck, Mark shifts his attention to a report request that quantifies the company's residual exposure on its portfolio.

Unfortunately for Mark, that information is scattered across a series of spreadsheets, emails and paper files, making the assimilation of information, analysis and reporting a painful process. Legacy Leasing Group lacks a central database that could give Mark a complete activity record of all leases and loans in its portfolio, including documents and emails. Feeling a migraine coming on, Mark begins the tedious process of emailing requests to track down the required documentation to complete the portfolio residual exposure report.

Hours later, Mark has collected the information he needs to produce the portfolio residual exposure report. As he begins to create the report, his phone rings; it's the salesperson Mark called earlier about the valuation information. Mark decides to table the report and complete the valuation request.

Unfortunately, asset valuations also require the same tedious process of tracking down documentation scattered across the company, and elsewhere. Without a centralized asset management database, Mark spends the afternoon gathering data needed to develop his valuation and justify the residual exposure on the transaction. This includes tracking down purchase agreements and invoices, assessing fleet information, reviewing valuations of similar equipment and assessing sales comparables.

After more than six hours of digging through spreadsheets, emails and paper files, Mark finally completes the valuation request and emails it back to the salesperson. Having spent most of his day tracking down information, Mark leaves for the day with plenty of work waiting for him tomorrow.

Does this sound familiar? Have you spent most of your day tracking down documentation and past research rather than assessing and producing something efficiently?

Regrettably, many asset management departments are burdened by systems that don't efficiently collect, store and track key information and progress on multiple tasks, which makes daily activities difficult and severely limits reporting and analysis capabilities.

In contrast, centralized systems that track and store data make accomplishing routine tasks more efficient, simplify analysis and make reporting more dynamic.

## A DAY IN THE LIFE — TECH TINA

Tina is an asset manager at NewTech Capital, a technology-driven equipment finance business focused on mid-ticket leasing and lending. Technology is rooted to the core of NewTech's business model. It uses Salesforce for its customer-relationship management needs and an asset management software application to track all asset activity and documentation.

Like Mark, Tina starts her day with a large cup of coffee and prioritizes her inbox. Emails with new tasks are automatically generated by NewTech's asset management system, notifying her of the tasks she's been assigned. She opens an email and clicks on the embedded "New Task" link, which redirects her to a portal that allows her to view her uncompleted tasks and collaborate with colleagues in real-time.

Tina reviews several asset valuation requests and a transaction exposure request. Beginning with a valuation request, she realizes the salesperson forgot to include asset usage information. She messages a request to the salesperson from within the system portal, and a push notification is sent to his phone. He opens the notification and responds in real-time to Tina, with all the correspondence automatically directed into the asset management system. Tina is seamlessly notified and immediately begins working on her first valuation. Her asset management system provides a structured and automated workflow to guide each process to completion.

As part of her valuation, Tina uses NewTech's asset management system to search for and associate similar valuations. She also compiles support documentation and new research that she easily records and attaches to the valuation record in the system. Tina quickly assesses all the information now at her fingertips to develop her valuation matrix in the same system. Once finished, she instigates the workflow, and the salesperson is automatically notified

that the preliminary valuation is ready for review. She repeats this process for the remaining valuation requests.

It's near the end of the day, and the portfolio exposure report is Tina's final task. She decides what process or support information she wants to include, then simply generates the report and sends it with a click. Tina can create a report with a click because all changes are tracked from the initial request to the final outcome. The reasoning and support behind any given valuation are stored in the central database. Tina's research is much more efficient, conclusions are better supported, and deal information is much more easily managed, recorded and searched.

Tina leaves for the day excited about her accomplishments and looking forward to new tasks the next day.

## BECOMING TECHNOLOGICALLY FOCUSED

Most people would agree Tina has the more exciting job and is in a much better position to be responsive and create more profit. Implementing modern technology isn't as problematic as it once was. In fact, most technology providers make the implementation process easy, and the results are game-changing.

To be most effective and efficient at their jobs, asset managers need to rely on timely access to considerable amounts of information. They need a modern-day approach to meet the ever-growing expectations from salespeople, risk managers and executives. Software applications designed to manage every aspect of the asset management department are now available. They are designed to transform asset management operations and create collaboration throughout the business using automated workflows and a single database.

Ivory Consulting Corporation's Asset Management Solution, or AMS, offers one such solution and was developed in conjunction with professional asset managers at SunTrust Equipment Finance. •

<sup>1</sup>Professor Richard Clegg, speaking at Airmic's ERM Forum 2017

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