2018 Industry Future Council

Preparing for Radical Customer and Employee Change Between Now and 2030

Gen Z and the Multi-Generational Workforce of Tomorrow

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Established in 1989, the Equipment Leasing & Finance Foundation is a 501c3 non-profit organization dedicated to inspiring thoughtful innovation and contributing to the betterment of the equipment leasing and finance industry. The Foundation accomplishes its mission through development of future-focused studies and reports identifying critical issues that could impact the industry.

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“Our business is changing and our talent will change, as well. We must be ready to work with a new generation that is very different from Millennials.”

–2018 IFC Participant

About the Industry Future Council Report

Each year, in support of its mission to be “your eye on the future,” the Equipment Leasing & Finance Foundation brings together a group of industry executives to form the Industry Future Council (IFC). The IFC is tasked with exploring trends and early signals of change and evaluating how these issues could impact the equipment leasing and finance business in the years to come.

The annual IFC Report summarizes discussions held at the annual convening of the IFC. This year’s meeting—February 12-13, 2018—brings into focus matters that equipment leasing and finance firms may wish to consider as they plan for the future.

How to Use This Report

This report is not intended to provide all of the answers for contemplating next steps. It is intended, however, to provoke thought and conversation within the industry and, in particular, equipment finance companies about the future. It is the hope of the Foundation that readers will benefit from the insights of the IFC and use them as a planning resource, not only for next three to five years but for the next 10 to 12 years, as our industry continues to evolve.

Executive Summary

If projections by the U.S. Bureau of Labor and Statistics are correct, members of Generation Z and Millennials will comprise approximately 95% of those employed by 2030.

"Gen Z's," now 8 to 22 years old, differ significantly from Millennials. Many are multi-racial, and as a group, they are multi-cultural. Scarred by the Great Recession of 2008-2009, these young people are price-conscious and risk-averse and heavily influenced by digital transformation. Growing up with social media, they spend an average of nine hours per day online. Also self-teaching and entrepreneurial, they are increasingly uncertain about the cost and necessity of attending college. Preparing for the arrival of young employees whose values, skills, and perspectives are radically different from today's employees is as important as preparing for new technologies that will arrive in the workplace between now and 2030. Both have the potential to revolutionize our industry—and both warrant our serious attention and planning.

In light of this employment group evolution, the Equipment Leasing & Finance Foundation invited 16 industry executives to be members of its annual Industry Future Council (IFC). The IFC gathered in Washington, DC in mid-February 2018 to focus on the human aspects of business between now and 2030. Anne Boysen, a futurist and Founder of After the Millennials Consulting, LLC, and Amy Zalman, Ph.D., Principal of the Strategic Narrative Institute, co-facilitated the conference.

Although IFC members focused on the people of the industry, they acknowledged that advances in technology make it increasingly difficult to separate issues involving people with those involving technology. Accordingly, members considered both as they applied strategic foresight—a transdisciplinary activity devised to help think about the future—to build profiles of employees and customers who will populate the industry 12 years from now. They also constructed scenarios with plausible trends and events that could impact the equipment leasing and finance industry by 2030 to understand how we can begin preparing for the future now.

IFC members concluded that members of Generation Z, who possess many talents and technological skills, are likely to question nearly every traditional aspect of business. At the same time, however, they will work alongside members of other generations and in an industry pressured by new demands from a changing technology world. Jobs will evolve to use new technologies. More business models will change to accommodate increased desire to use rather than own equipment. And equipment will change to respond to environmental trends that include more natural disasters and shortages of water. Other future trends IFC members considered likely included greater urbanization and a shift toward urban agriculture, rising demand for renewable energy, and changes in social values that may create upheaval. A discussion of potential opportunities for companies to align their products and services with these changing values ensued.

The IFC also evaluated new trends that could intersect and cause unintended consequences. Driverless cars, for example, are expected to be safer and lower the number of highway fatalities. Yet, fewer traffic deaths will reduce availability of organs for transplants. To evaluate such consequences, IFC members manipulated multiple scenarios, some deemed more probable than others, to consider a broad range of possibilities. In one such scenario, members imagined managed services replacing traditional leases and loans to the extent that independent equipment finance companies gain significant market share and large banks focus mainly on credit-card business and special products.

The more we know about our future employees and customers now, IFC members agreed, the better we can plan for success in 2030 when business and lifestyle perspectives and technology will be radically different from today.

Introduction: What Makes Us Tick?

What factors make each of us unique? What makes groups of people similar and what makes those within groups differ? If we were all more alike, recruiting, retention, and people management would be child's play. We know they are not. To educate IFC members about the characteristics of Generation Z—whose members will enter the workforce by 2030—Anne Boysen, a futurist and Founder of After the Millennials Consulting, LLC, and Amy Zalman, Ph.D., Principal of the Strategic Narrative Institute, co-facilitated the 2018 IFC Conference. To begin, they discussed the findings of social scientists who've studied differences among individuals and groups. These scientists concluded that three background variables work together to influence each of us: genetics; environment; and time.

Genetics is most important. DNA studies of the human genome show variation at thousands of sites, defining an absolute genetic uniqueness for each individual.

Environmental factors are secondary. The impacts are still being studied for connections. In addition to effects produced by rural vs. urban environments and poor vs. affluent areas, researchers recently found that children exposed to violence have higher-than-average levels of the stress hormone cortisol.

The ways in which time affects us, however, may be best understood. Social scientists say time puts its mark on us in three ways:

- **The Period Effect**: We all change over time but move in the same general direction.
- **Age/Life Cycle**: As we age and enter different life phases, our priorities, attitudes, and behaviors change. Although this may seem obvious, age differences are often confused with generational differences.
- **The Cohort Effect**: Those in an age group—such as a generation—share similar experiences that impact them in similar ways. But variations will still be present.

> *"Our business is changing and our talent will change, as well. We must be ready to work with a new generation that is very different from Millennials."*
>
> –IFC Member

The Importance of Age Groups

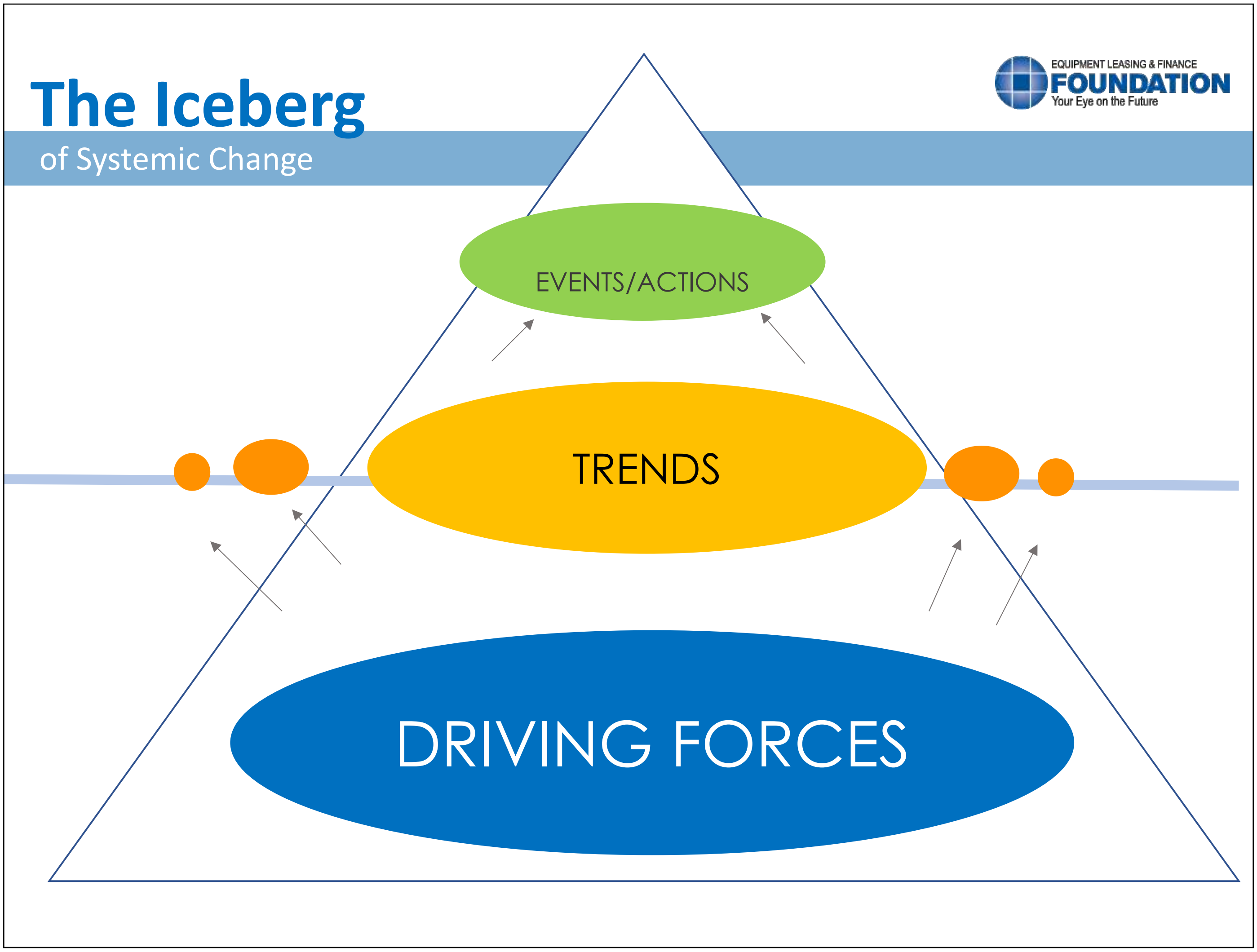
Thinking about The Cohort Effect and examining the experiences and attributes of certain generations is particularly useful when contemplating the future of the equipment finance industry. By 2030, four generations of Americans will be actively employed: "Gen Z;" Millennials; Generation X; and Baby Boomers, a small percentage of whom will continue to work into their 70's. Figure 1 shows the birth span of each of these generations.

Figure 1.

Generation Z	Millennials	Generation X	Boomers
1996-2010	1981- 1995	1965-1980	1946-1964

Trends occur among people of the same generation and may seem unconnected on the surface. But they are often tied to the same underlying driving forces. Rules of systemic change, illustrated in Figure 2, tell us that driving forces produce trends, and in turn, trends produce events and actions.

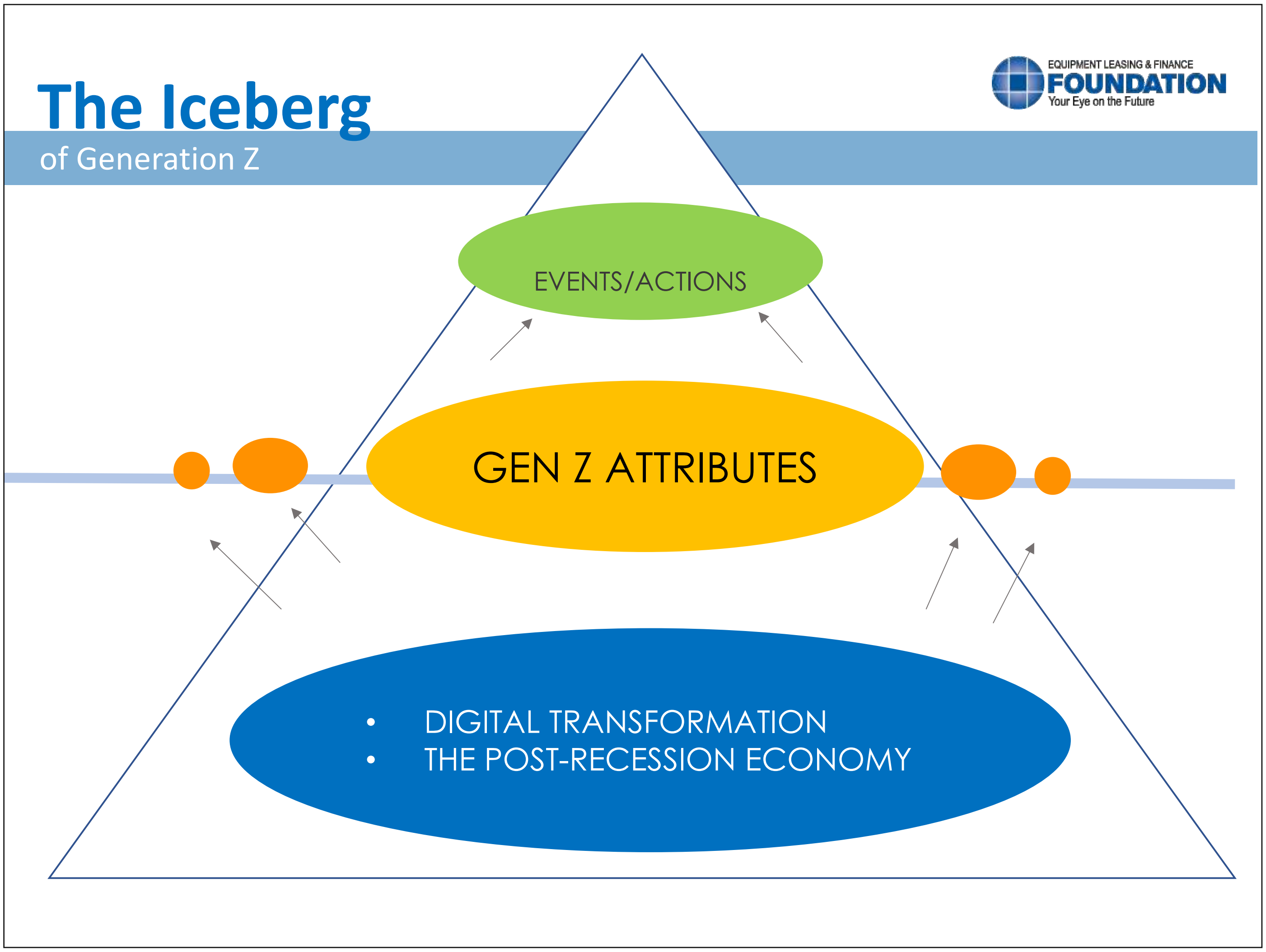
Figure 2.



©After the Millennials, 2018

Applying these rules to human behavior, as illustrated in Figure 3, social scientists have identified the post-recession economy and digital transformation as two driving forces playing major roles in the development of Generation Z.

Figure 3.



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These forces have produced attributes that are quite different for each generation. Since the focus of the 2018 IFC meeting was to learn more about how members of Generation Z function in their own ecosystem and the environment around them, their attributes were examined closely. These attributes are discussed in the next section.

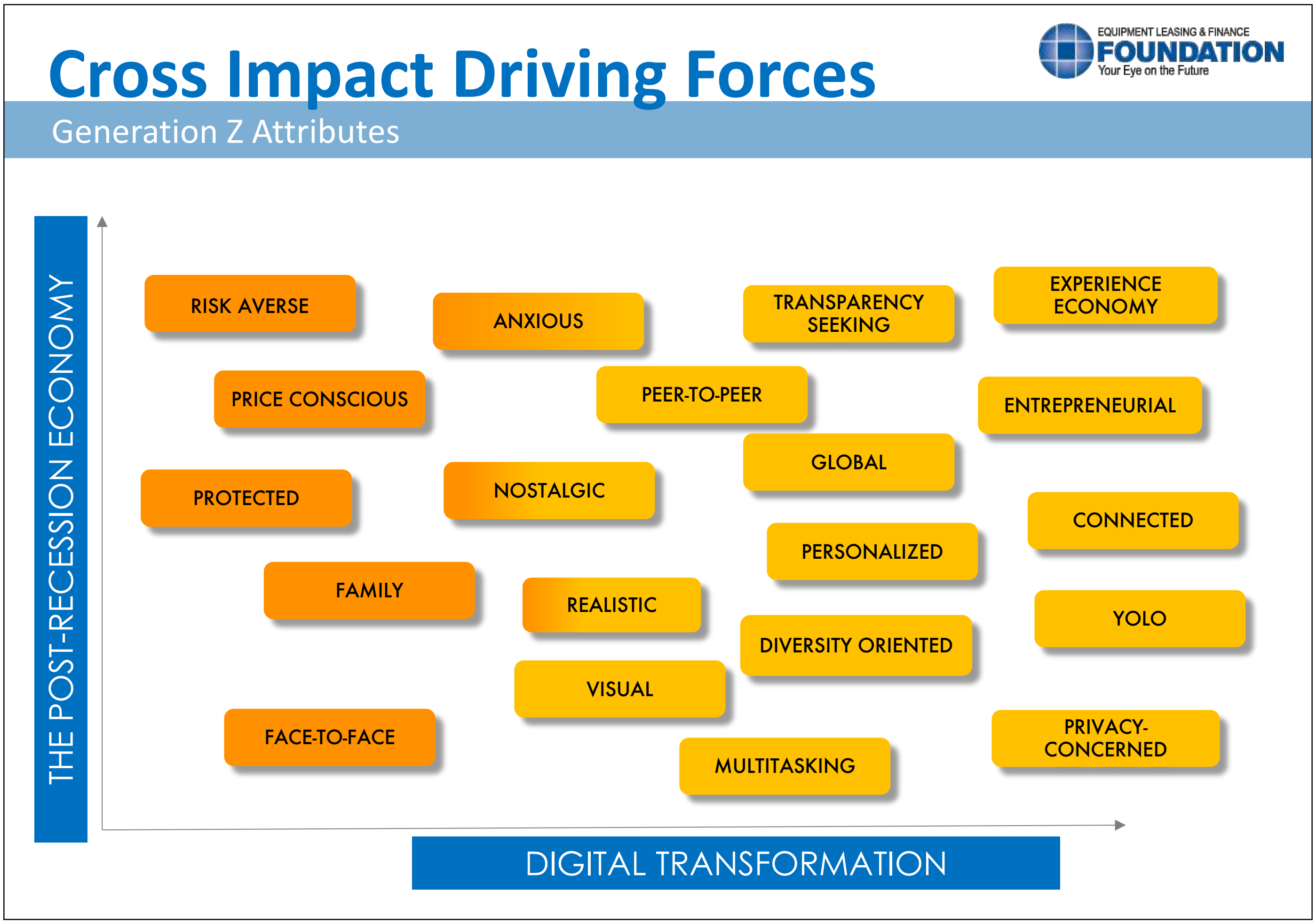
Portrait of a "Gen Z"

"Millennials were told, 'The sky's the limit. Do what you want to do, and you will be successful. Gen Z doesn't necessarily believe that."

–IFC Member

Detailed information about Generation Z is just now coming to light. Figure 4 shows a combination of attributes that are unique to this age group.

Figure 4.



Other important facts about members of Generation Z presented by the facilitators include the following:

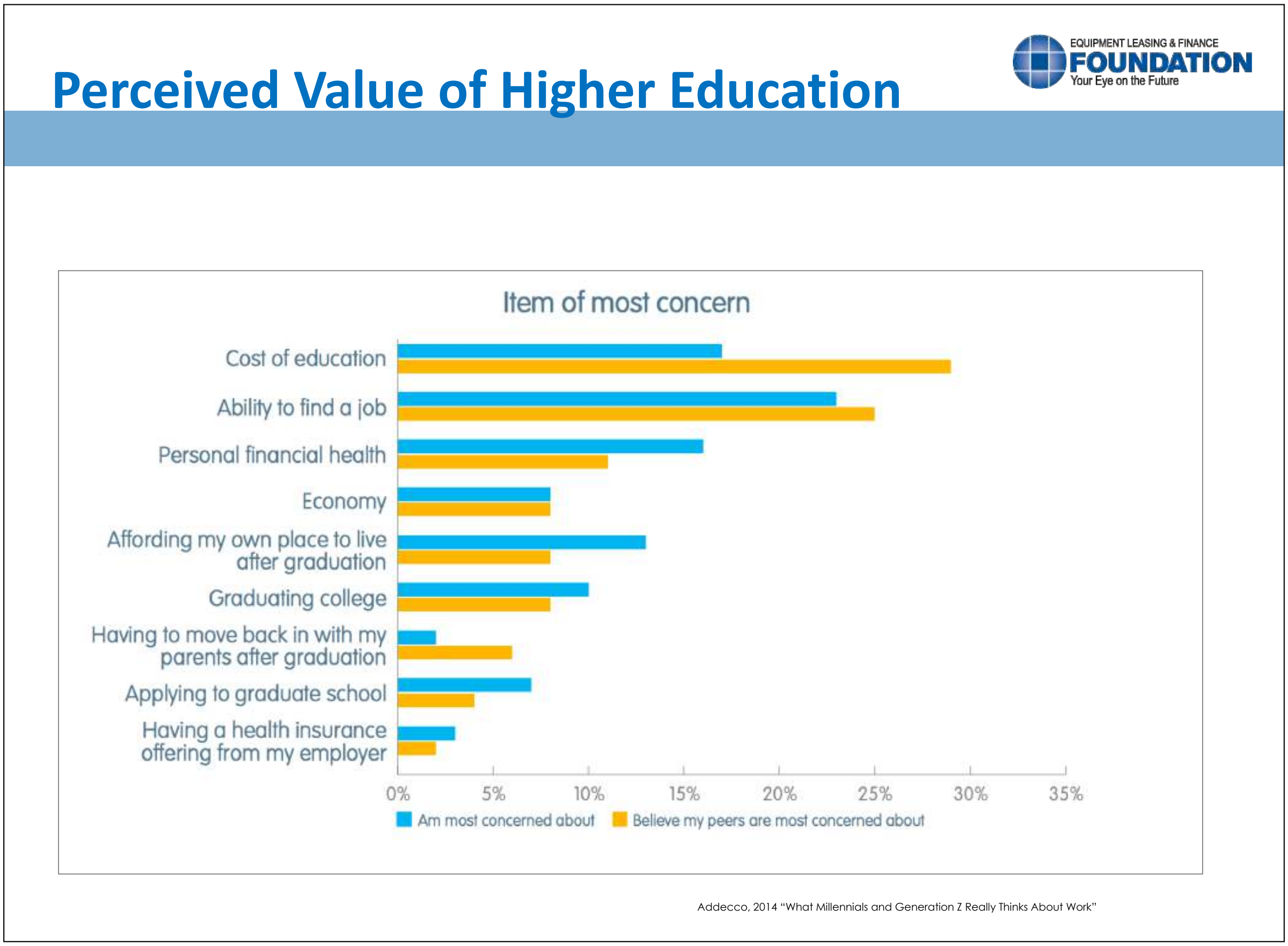
- Slightly more than half are ethnically blended or minority
- Less than half identify as 100% heterosexual
- Many feel significant mental anguish and depression, believing the world is "messed up" and that it's their job to fix it
- They are social-media addicts, averaging nine hours per day online. Yet, they believe they spend too much time online, and 60% say they prefer face-to-face interaction
- Sixty percent have a savings account; 35% have attended a financial education program (vs. 12% of Millennials)
- They are frugal, eschewing brand names and shopping at thrift stores
- They are self-learning, using Internet programs and videos to teach themselves languages and skills
- Forty percent worry about the impact of job automation on employment
- They see big data and algorithms as paths to the potential customization of nearly all goods and services
- Forty-seven percent of those aged 16-20 say they would consider alternative schooling over college.

"Knowing that many Gen Z's won't attend college, will we still visit traditional schools to look for graduates, or are we going to think outside the box?"

–IFC Member

Although members of Generation Z are highly concerned about the cost of higher education, the results of an education-based survey shown in Figure 5 indicate that they are more concerned about finding a job. Worries about money influence much of their thinking, be it the affordability of living on their own or having money left over after paying the bills.

Figure 5.



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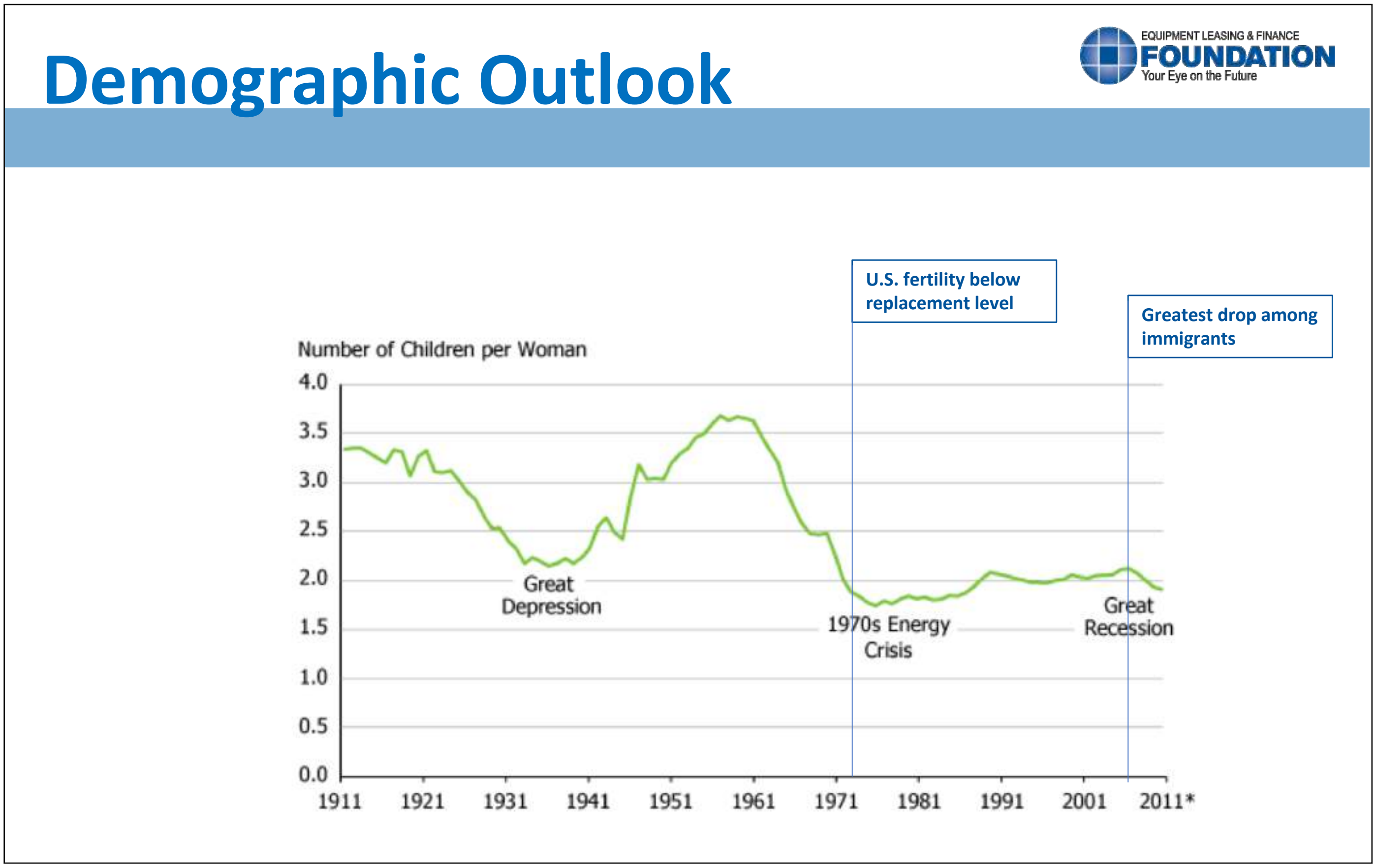
The IFC facilitators also presented another trend relevant to the future of the equipment finance industry: U.S. birth rates began falling around 1961. Approximately 2.2 births per family are needed to stabilize a population base without the effects of immigration, and after 1972, the American birth rate fell below this number. For a while, immigration and a large Baby Boomer generation ensured that the ratio between young and old didn't grow too wide. For the past decade, however, the birth rate has dipped for all demographic groups, and immigration has tapered, as well. Figure 6 illustrates this downward trend and begs ancillary questions, such as whether our industry will feel the pinch or whether automation will be able to compensate, that IFC members acknowledged as they sought connections between generational trends and technology.

Figure 6.



Profiles of Industry Members, 2018

> *"We're not very diverse now, but we're working on it, and we will be in the future."*
>
> –IFC Participant

IFC members acknowledged a lack of diversity and inclusion among the current industry workforce but expressed confidence that recent programs devoted to the effort will bring change. To contemplate further about the people of the industry in 2030 and how they will think and behave, IFC members first created profiles of existing members. These profiles were then used as a baseline against which theoretical profiles of industry personnel in 2030 would be compared. Some of the current workforce profiles follow.

- President, U.S. Manufacturer: A white male in his 50's or early 60's who may have a Master's degree in Business. With his sales and manufacturing background, he'd like to see manufacturing resume a larger role in the economy. Direct in his communications and pragmatic in his thinking, he doesn't waste time worrying about the environment. He believes in giving customers what they want but doesn't easily embrace change—he must first be convinced of its value.
- Sales Representative, Equipment Finance Company: A white male in his 30's with a college degree, he has previous work experience in sales. He's an early adopter of digital technologies, communicating via mobile devices and social media. He considers himself creative—but the context for his creativity is the many ways he knows to close a deal and get the job done.
- Director of Commercial Lending, Bank: A 45-year-old female from California who now lives in New York City and has an MBA. She is no-nonsense, fiscally conservative and socially liberal, and supports protecting the environment. She accepts change as inevitable.
- Small-Business Customer: This white male in his 50's, has a degree in business and has always been in the same line of work. He communicates with his phone and through email and wishes politics would stay out of his business. When purchasing equipment, he looks for fast, good, and cheap, but tries to be creative about new ways to serve his customers. When working with others who aren't like him, he is cautious.
- Collections Professional, Equipment Finance Company: This 50-year-old white male, went as far as high school and has always worked in collections. He lives for today, doesn't consider himself creative, and doesn't enjoy working with others who are unlike him. When faced with change at his job, he expresses frustration.

"Who cares if you're not diverse?"

–Facilitator

"We do, because we'll be selling to a more diverse world. And diversity results in better decision-making. If your company isn't diverse, you miss out on a lot of talent and ideas."

–IFC Member

Envisioning the Equipment Finance Industry in 2030

Imagining the future is challenging, in part, because as neuroscientists and cognitive psychologists have demonstrated, the human mind works in highly scripted ways. Once we develop a script about how the world works, we often find it difficult to imagine events from a different perspective. "We can, however, train ourselves in new ways of thinking that help us transcend the comfort of our scripts and accelerate our understanding of what could happen in the future, and our ability to make decisions that will guide us toward what we want to happen in the future," said a facilitator.

Strategic foresight is a transdisciplinary tool designed to help people think about the future broadly across domains, creatively in new dimensions, and with a long-term orientation. Both probable and less probable trends are considered and inserted into scenarios that could become future realities. To prepare to solve the problems of tomorrow, facilitators led IFC members in the use of strategic foresight to examine major forces of change that could affect people with a stake in the equipment finance industry and contemplate how the industry should position itself now to face the future.

To begin, IFC members created hypothetical profiles of tomorrow's industry members, based on what they had learned about Generation Z. They later examined patterns and types of change and created scenarios containing these profiles to understand how the equipment finance industry might look and conduct business in 2030.

"Almost everyone in our profiles of today is white, but that won't be the case in the future," said one IFC member when thinking about future members of the industry. "We'll probably have fewer people altogether," said another, "because artificial intelligence (AI) and other automation will produce efficiencies that reduce the need for some positions."

IFC members expressed concern about rapidly changing technology and legacy systems that frustrate young employees, and about perceptions of the finance industry that position investment banks and brokerages as more attractive than equipment finance. Regulations limiting the ways banks can do business were another worry, as were Fintech companies that use technology in new ways to serve finance customers with more convenience and speed than many traditional finance companies. Said an IFC member, "I think more people would be excited to join our industry if we didn't have these issues."

Members also theorized that matters of learning, communicating, and accepting change could cause the departure of additional talent. "We bought a company with people in their 60's and had that exact issue," said one member. "We imposed our technology platform on them because that is what we use, and we lost a few who became frustrated. But if you're in a digital company with a digital mindset and you can't keep up, there won't be a job for you in the future."

Theoretical profiles of industry personnel in 2030, designed to contrast with the previously created profiles of existing workers, follow.

Projected Profiles of Industry Members, 2030

- Marketing Director/Data Analyst: A 30-something with a bachelor's degree in marketing, this man has always worked at the same equipment finance company. He's likely to stay there for the foreseeable future, because he values security and stability, even though he accepts change as inevitable. Regarding equipment, he's "all about the experience and not about ownership." He communicates with an AI app, considers himself creative, and is happy to work with people of all backgrounds and ages.
- Originator: This 30-something individual replaces the sales representative of 2018. Likely to be multi-racial, s/he doesn't identify as purely male or female. Born "boundary-less and raised in disruption," IFC members projected that s/he is energized by change and works easily with people of all types. An innovator, s/he uses big data, social media, and various technology platforms to build networks and find customers.

- Owner of a Small Local Business: A 28-year-old of mixed race, this man has a four-year degree and worked briefly for corporate America, but tired of it and opened his own business. He communicates digitally, considers himself creative, and easily accepts others unlike him. He views change as normal.
- Business Owner #2: A young, multi-ethnic female with some college experience, she relocates often to follow opportunity. Experiential and apolitical, she doesn't buy into the hype surrounding new products or fads. She happily works with others of all types and finds change exciting.

Creativity will likely be very much in fashion in 2030, IFC members agreed, because no one will want to be boxed into predefined categories. "These profiles represent our kids in 12 years," said one IFC member, "and many of them are nerds, because being a nerd is in. Think Elon Musk, who first created a cool car and then launched a rocket with the cool car on top." The member was referring to the February 6, 2018 launch by SpaceX, Elon Musk's company, of a 27-engine rocket with a Tesla convertible automobile mounted on top.

> *"It's already challenging to put young employees in a working environment that's only a few years old. If your company has legacy systems and young hires are used to being intuitive, it will challenge everyone."*
>
> –IFC Participant

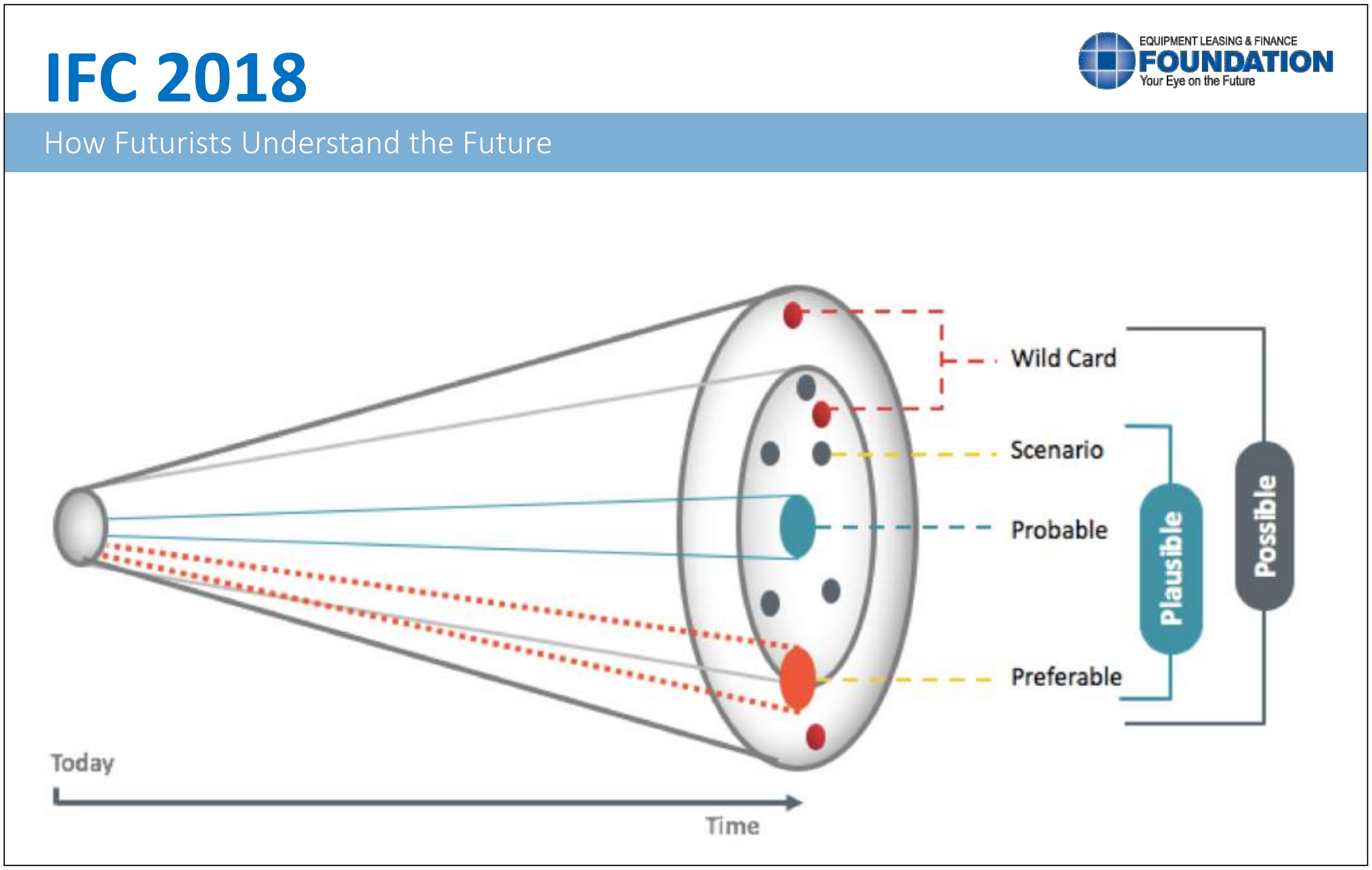
Patterns of Change

Thinking next about the environment in which tomorrow's industry members will work and live, IFC members examined patterns of change. These patterns consist of events and trends. Trends are discernable patterns of events that move in a clear direction. Events, on the other hand, are isolated occurrences that lack context and may or may not portend trends.

Trends vary in type and reliability. Demographic trends are reliable predictors of the future, while political and cultural trends are usually temporary and thus more fluid. But trends often intersect and produce unintended effects. Driverless cars, for example, are expected to cause fewer accidents and save lives. But fewer traffic deaths will result in fewer organs for transplant.

Trends are useful when projecting the characteristics of future industry stakeholders and events that may occur. But for each sweeping trend, there is a counter-trend that may disrupt even the likeliest of projected scenarios. Unexpected events, such as natural disasters, can also occur and act as wildcards, causing major and widespread change. "The further out in time we go, the less we know about what's likely to happen and whether a trend will hold," summarized a facilitator. Figure 7 illustrates how futurists understand the future and the circumstances that can result.

Figure 7.



©Strategic Narrative Institute, 2018

IFC members agreed that even those trends deemed most likely to occur in the next 10 to 12 years may not happen. Moreover, not everyone will follow the trends that do occur. Equipment finance companies will need to find ways to bridge the differences between customers who subscribe to changing values and trends, and those who do not.

> *"As decision makers change, we'll need to change our message to deal with them."*
>
> –IFC Participant

Types of changes that can occur as a result of events and trends can be grouped into five areas: Social; Technological; Environmental; Economic; and Political. IFC members brainstormed about how events in each category of change could impact the future of the equipment finance industry and arrived at the following predictions:

- **Social**: Social values will be reflected in the brands people purchase, therefore aligning values with brand identity will be critical. Companies will shift their engagement models to better reflect social values and shared experiences, but connecting with those who don't agree with shifting values or using the latest technology will be difficult.

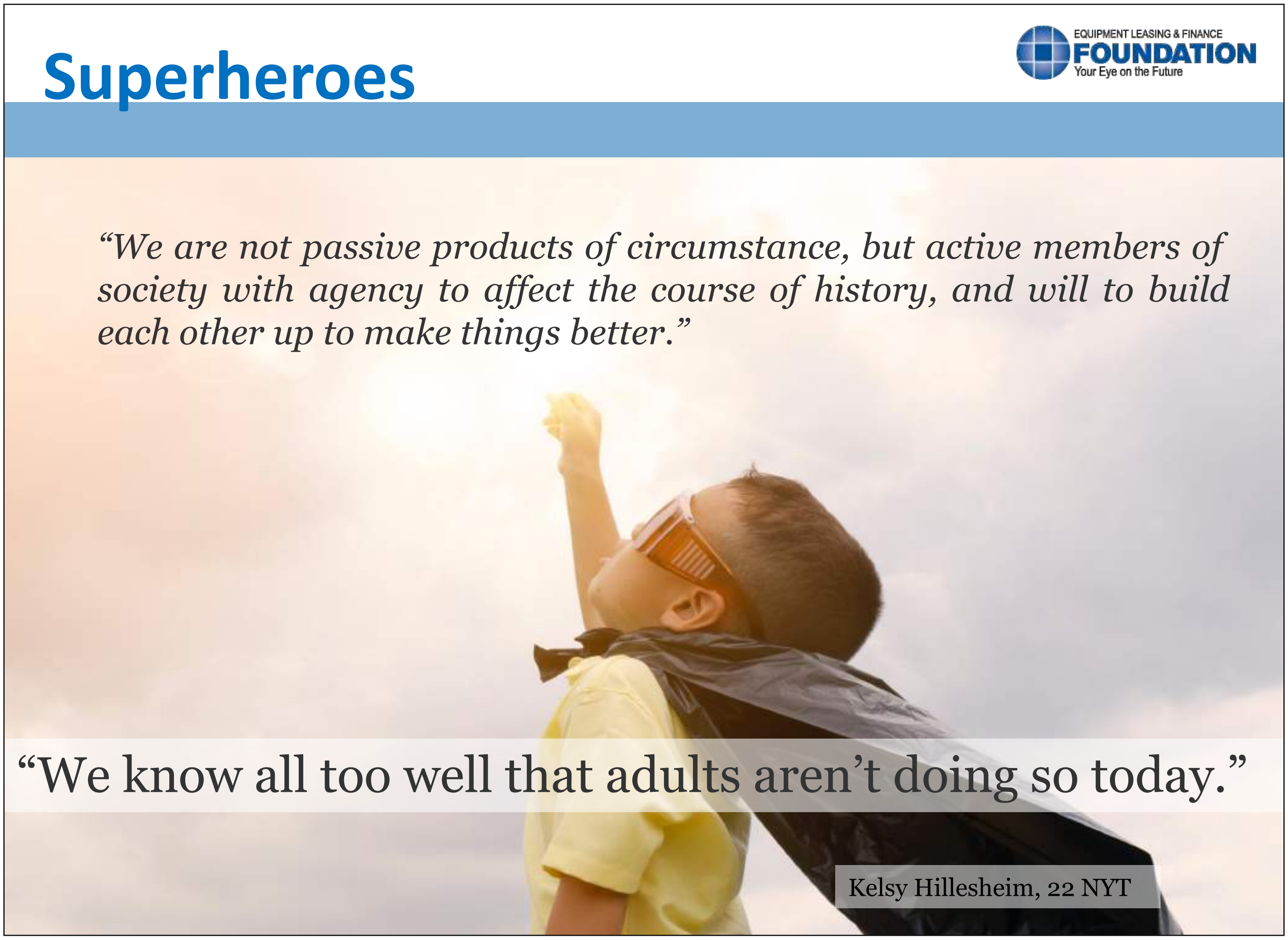
"I know of a big-bank customer who threatened to pull his accounts if the bank supported the local gay pride parade," said an IFC member. "Bank executives evaluated the situation and refused to back down, believing the risk of being driven by one customer's biases was greater than the risk of supporting the parade. And the customer didn't pull his accounts after all. If your company is so identified with a big customer or one leader and something negative happens, you have a huge problem."

- **Technological**: Strides in healthcare will result in greater longevity as well as increased activity and spending by older generations. Healthcare advances, along with continued increases in productivity and efficiency, will also produce more leisure time and better quality of life. Cruises, boutique hotels, and theme restaurants will grow in popularity as adults demand more flexibility and "recreational exercise." Increased complexity of equipment will result in more equipment financing, but automated technology could also disrupt small players in the industry. Software as a Service (SaaS) will produce more rentals and the financing of more rental companies because customers will seek not to own equipment, but only to use it and pay for it on a per-use basis.
- **Environmental**: Growing demand for solar and wind energy will increase as a result of global warming. "Man-made" weather will be a major topic of discussion or will already be in use. Natural disasters of all kinds will increase, water usage will be restricted, and population growth may become regulated. Agriculture will shift to more urban farming and jobs will be created to manage the change. Consumption of nuclear power will decrease as alternative fuels and methods of production proliferate. But global tensions may rise as nations fight over natural resources, causing further build-up of nuclear arms in anticipation of war. Equipment finance companies will respond and benefit from new types of equipment and new financial products.
- **Economic**: Since Generation Z is fiscally conservative, the population as a whole may follow suit, creating uncertainty for equipment finance companies. Currencies will change as people barter and find other ways to share assets, and the use of crypto-currencies will become common. Workforces will decentralize as the "Gig Economy" or labor market characterized by short-term contracts and freelance work as opposed to permanent jobs—grows and people work from locations around the world. Populations will shift from rural to urban, and concentrations of wealth will reside in urban centers. As distrust in government and traditional currencies grows, the possibility of anarchy increases. Communication becomes a global currency.
- **Political**: Tax reform will transcend even generational influences, changing businesses in ways we cannot predict. Voters will no longer be content with two political parties, and more will vote for candidates running as independents or affiliated with other parties. Trade agreements will change as barriers shrink or expand, and political unrest will plague Russia, Iran, North Korea, Venezuela, and Cuba. The Euro Zone will debate its continued existence as the pendulum swings toward a more centrist position. Economies will shift as demand for fossil fuels diminishes.

If these or similar changes occur, how will they affect future industry stakeholders, and how should the industry position itself now to face the future? To find out, IFC members created several plausible, as well as possible, scenarios along a spectrum of occurrence. The scenarios follow.

Three Possible Futures

Figure 8.



©After the Millennials

> *"Every industry is going to become a tech industry. And those that think they won't be involved in technology simply won't be around."*
>
> –IFC Participant

A Likely Future: Accelerated Transformation

This scenario is believed to be the most probable depiction of what the workplace will resemble in 2030 based on the known and anticipated trends as presented by the facilitators and extrapolated by the IFC members. It is a more digitized world in which the equipment finance industry workforce of 2030 use technology to drive nearly all improvements and advancements. The originator working in 2030 who was a sales representative in 2018 is likely to possess skills in data analysis and predictive analytics. S/he will apply them to marketing since marketing will be more important than ever and will be closely connected to the use of social media. In this scenario, certain lower-level jobs will probably be eliminated due to better automation technology and artificial intelligence. Having a base level understanding of IT systems will be critical for any job.

Also in this vision of 2030, tax reform will impact the determination of optimized structures for leases and/or loans, but companies will still work to fully align themselves with customer values and expectations. Employees will engineer all products, services, and information to align with dominant social values and be delivered and accessed by the methods customers prefer. Companies will take care not to fall too far behind or move too far ahead of customers in their adoption and use of various technologies.

A Somewhat Less Likely Future: The Bank Brain Drain

Few customers in 2030 will be interested in owning equipment, and banks are still prohibited from engaging directly in Software/Services as a Service. As a result, banks now focus mostly on their automated businesses, such as credit cards, and more have affiliated with Fintech companies. The Director of Lending has moved to a large independent finance company with vendor relationships or is starting a Fintech of her own.

Meanwhile, the owner of the small local business of 2030 needs financing. He applies to a bank and to an independent finance company, and the independent uses online lending services provided by a Fintech to approve his loan in minutes. But the new business fails quickly. Since the equipment was financed as a managed solution that does not include equipment ownership, the equipment finance company has no problem retrieving it and must collect only a single month’s rent. The finance company acknowledges that it is now as much an asset-management business as a finance company.

An Even Less Likely but Still Possible Future: Financing Amid Chaos

In this 2030 environment, social and political upheaval have led to widespread distrust of government. Anarchy threatens, and chaos dominates, but chaos creates opportunity. Resources are being redirected, and innovative equipment finance companies take advantage of the disruption by providing services to newly forming markets. “Those who embrace change will do very well in this environment, just as members of our industry have done in the past,” said an IFC member. Seeking protection from so much change, many employees will view their equipment finance employer as a trusted source of stability. Others also seeking job security will arrive, and companies that are nimble, connected, and aware will snare the best talent. Challenges for equipment finance companies will include adapting to altered supply chains, optimizing resources for success, and identifying niches where they can be successful.

Critical Uncertainties

As they explored present-day trends, signals of change and future scenarios, IFC members discussed a number of issues that could arise and become problematic. The discussion served to widen the range of possibilities that might occur and open the door that much further to planning and preparation.

Uncertainty #1: Smart Selections from a Multitude of Choices

With so many modes of communication already available, how will companies choose from new potential return on investment measurements and use those that are most effective?

When LinkedIn introduced a new connectivity tool, some equipment finance companies invested early in using it. “But it was difficult to measure the ROI because it seemed nebulous,” said an IFC member. “In the future, I think it will be that much harder for companies to bridge their chosen connectivity methods with those of their customers, and we’re talking about investing a lot of money to do so. How will we measure the impacts so we can choose what to use?”

“We’ve invested a great deal of money in technology generally, and I feel it’s already paying off,” said another member. “But looking purely on an ROI basis today may not be important because if we can’t compete with the most competitive companies in our markets, we’ll be blown out of the water. For that reason, ROI doesn’t matter. We just have to go forward and do whatever is necessary to be the best.”

Uncertainty #2: The Future of Face-to-Face

Will customers buy everything online without physically touching it first?

IFC members were of two minds. “Digital relationships work until someone needs $25 million,” said one person. “And what about the sale of an asset,” said another. “How many people will buy a car online without seeing it?”

“We sell $100,000 trucks, sight unseen,” said a third. “And even with these trucks, there are hundreds of options. How is that different from buying a Tesla?” IFC members agreed that a great deal of research could be done online and in person, in some cases, before buying and financing a product online. And with the rise in managed solutions, future customers may be interested only in paying per-use, thereby changing the equation from one of equipment finance to one of asset management.

Face-to-face contact is more likely to remain important, IFC members thought, at conferences and networking events. “Experts have been ringing the death knell of associations like ours for years,” said one. “But people like to talk to people more than machines, and there is still no substitute for communicating face-to-face.” Social media plays an enormous role in organizations, helping people meet virtually and communicate in the absence of face-to-face opportunities. “But whenever we try to substitute social media or conference calls for something that’s previously been face-to-face, a lot is lost, and it just doesn’t work,” said an IFC member.

Amazon, which is working to remove vendors from its distribution model, may be the largest threat to equipment finance companies, said a different member. “If your vendors go away, you’re in trouble, and I understand that’s what Amazon is trying to do,” he said.

Uncertainty #3: Serving Disparate Populations and Problems

IFC members thought the percentage of Generation Z members who opt out of social media and certain other technologies could be significant, presenting both a marketing and a servicing challenge.

These citizens will need goods and services but may not be easily reachable. Thus, concerns about adopting and projecting values that align with customer values could be compounded by communication issues.

“Communication will be the global currency of the future,” said one IFC member when discussing possible changes in the future economy. “Access to information will change our environment and widen the gap between the haves and the have-nots.”

Changing demographics will most likely heavily impact the equipment finance industry as more people move from rural to urban environments. Ever greater concentrations of wealth would reside in cities, they agreed, but as fuel consumption falls due to smart buildings and other green trends, water shortages will increase. Water usage is already a volatile political issue in California and as shortages rise, desalinization will threaten oceans and the recycling of wastewater for potable use will become more commonplace. These changes will affect the types of equipment financed and the customers who use them.

Also in California, forests growing below a certain altitude are dying from insect infestations. Warmer weather allows many pests to live year-round, “and if the bugs don’t die, they eat the trees,” an IFC member explained. As a result, demand is growing for equipment that can clear or selectively thin forests, and more new equipment demands are likely in a hotter climate. By closely monitoring climate and demographic trends, equipment finance companies may be able to identify emerging markets more quickly than others who don’t.

Conclusion

The equipment finance industry is already in the midst of incredible change, and the pace will only accelerate.

IFC members agreed that young people joining the industry will largely embrace change and the technologies that accompany it, using them to ever greater efficiency and productivity. But younger employees will work with older ones who may have different perspectives about what constitutes good business, great service, and adherence to prevailing social norms.

At the same time, companies will experience disruption from changes occurring in social, technological, environmental, economic, and political arenas. Interest in owning equipment will continue to wane as members of Generation Z focus on use rather than possession and ownership and challenge other traditional ways of doing business. Changes in the environment, which will likely include an increase in natural disasters and water shortages, will foster changes in the types of equipment needed and financed. Environmental changes will also probably bring about regulations that place new restrictions on doing business. Demand for solar and wind energy are also expected to grow as the population becomes more environmentally conscious. Equipment finance companies will need to respond with appropriate equipment and financing solutions that bridge generations, cultures, and geographies.

Some customers will look to use products and services that align with their social values. To meet this need, equipment finance companies will have to adjust their messaging, their methods of communication and, possibly, their goods and services. Companies basing their investments purely on potential financial returns may find themselves left out of the competition.

Similarly, companies focusing mainly on the technological aspects of their business will find themselves at a disadvantage as well, since, in the words of an IFC facilitator, “Increasingly, people and technology will be connected, and conversations about one will often include the other.”

Although thinking about the future is difficult, industry leaders who devote time to doing it can look for trends and early signals of change that will influence tomorrow. They can apply strategic foresight to create scenarios using these trends and events to think about how equipment finance companies and their people will work in future environments. “We have to think about whether we’ll be able to compete in 10 years or whether we’ll be crushed,” said an IFC member. “The landscape will change dramatically, and we have to be prepared.” Familiarizing ourselves with the next generation of industry members and how we will work with them can help us to be one step ahead recruiting the best and brightest of Generation Z.

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