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# **The Inflection Point: Economic uncertainty vs business urgency**

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Why are the stars now aligning for digital mobility investment? Joe Walsh, Director of B2B, UK & Ireland, Samsung, takes a look.

In little more than a decade, CFOs have dealt with unprecedented turmoil—with the legacy of the great financial crisis, zero or negative interest rates, Brexit and a technological revolution (and disruptive new business models). And then to top it off, a global pandemic, which has created the largest falls in GDP in over 300 years.



### The knock-on effect.

These are the big picture macro drivers. But they also create many micro issues in their wake—such as the emerging needs of a hybrid remote workforce, and increased security risks from employees using unprotected networks and unsecure devices. This is a huge issue which will only increase over the coming years, as new digital business models proliferate, and AI and big data come of age. And so, as we begin to see the emergence of the post-pandemic world, companies will be reconsidering their business investment plans (many of which will have been put on hold in 2020), with business capex down 10% (year-on-year) in the final quarter of 2020.

Over the last 10 years, we've been working hard to help businesses get maximum value from mobility, to drive productivity, growth and prosperity. We understand the important issues facing businesses today, such as security and the importance of digital transformation—especially in the wake of the pandemic. Businesses have had to adapt quickly, using remote workforces. So, there's an urgent need for mobility solutions that are protected and secure, whilst not hindering productivity.

To help this process we've also introduced Samsung Capital, which offers a range of finance solutions to meet varying business needs. Our aim is to make it easier for businesses to invest in delivering mobility and achieving digital transformation.



## The right time to be cautious?

My sense of the marketplace is that CFOs are torn. They want to be cautious and maintain good liquidity and cash flow, just in case of another rainy day. Uncertainty remains high, so they're naturally tentative about future commitments. But CFOs are also concerned about being left behind, as the increasing pace of change threatens to widen the gap between corporate leaders and laggards. Maintaining strong cash flow now may not be the best tactic if it means the company doesn't exist in five years, and is overtaken by more flexible and agile digital business models. It could also be a false economy if it means their digital transformation is undermined by inadequate cybersecurity.

The technological revolution currently underway is all about building and protecting. As a result, it entails two forms of business disruption which need to be addressed by any investment in mobility:

- 1 The positive effect of new business models
- 2 The negative effect of the disruption to business from inadequate cybersecurity

## The four drivers of digital mobility investment



Technological revolution and disruption



The pandemic accelerator



HM Treasury and the Bank of England running the economy hot over the 2021-23 period



The Capex super-deduction accelerator over the 2021-23 period



## The big picture.

There are four key macro forces at work providing a real sense of urgency regarding tangible and intangible investment in digital mobility. At Samsung, we think of them in terms of a four faceted diamond which is all set to sparkle.

The four facets are:

- 1 Technological revolution and disruption
- 2 The pandemic accelerator
- 3 HM Treasury and the Bank of England running the economy hot over the 2021-23 period
- 4 The Capex super-deduction accelerator over the 2021-23 period

There's nothing new in the idea of technological revolution. What is new, however, is how the nature of it is likely to change in the 2020s, compared with the 2010s. The 2010s was all about the Solow Redux, following on from the Solow Paradox in the 1980s, when the economic Nobel Laureate Robert Solow famously stated that he could see computers everywhere but in the productivity statistics.

The Solow Redux replaces the word 'computers' with the 'digital economy'. But you won't see the road ahead through the rear-view mirror. The 2020s are likely to see the maturity, convergence and scaling of a whole swathe of technologies—such as 5G, AI, cloud and big data—in a manner which accelerates business efficiency and productivity.

Technologies are complementing and synergising each other. An example is one of the consequences of the surge in hybrid forms of working, which will simultaneously increase the need for additional investment in cyber security. The digital economy is likely to finally come of age, as 'spill over' effects from one part stimulates economic growth in another. At Samsung we regularly see digital innovation by one company quickly leading to competitive improvements by another. This is a major potential upward shift, but it's only one facet of the digital mobility diamond.





## An economy set to run ‘hot’.

Over the past year we’ve seen the explosion not just of online working, but also e-retailing and e-learning. Trends that were already underway have been intensified, multiplied and accelerated. What was likely to happen in the mid-2020s, is now likely to happen in the early 2020s. This pandemic accelerator is the second facet of the digital diamond.

These are the structural shifts on the supply side of the economy, but things are hardly quiet on the demand side either. The Government and the Bank of England are clearly set on running the economy ‘hot’ over the next few years, with fiscal tightening ended, and a surge in the amount of money in the economy already well underway. Throw in the effects of the wall of savings built up in much—though clearly not all—of the corporate and household sectors during the past year, and the potential spending surge could be very powerful. The ‘hot’ economy with fast economic growth is likely to be the third facet of the digital diamond.

## Supercharging investment.

So, we have three fundamental shifts that raise the importance of business investment and innovation. But there is a fourth facet—the business investment super-deduction announced in the Budget. In addition to the competitive pressures from the marketplace to increase business investment, there is now an added incentive from the Government to invest sooner rather than later. HM Treasury has announced that for qualifying investment expenditure incurred from 1 April 2021 to 31 March 2023, companies can claim 130% capital allowances. In one move, the UK has gone from 30th to 1st on the Organisation for Economic Cooperation and Development (OECD) ranking of the net present value of investment allowances. So, both the and the super-deduction have the powerful effect of bringing forward business investment.

Another interesting angle is that, prior to the pandemic, business investment plans may have been less digital—and possibly less effective—than their post-pandemic digitally heavier counterpart. This means that the return on capital could now be commensurately higher.

Business investment by its very nature is risky, but the digital diamond highlights how the costs of delaying investment will be substantial as frontier firms stride ahead. In the digital economy, the businesses that move first tend to claim significant market share.



## Super-deduction provides welcome (tax) relief.

Of course, not every company is in the same place regarding their investment capacity. Some won't have access to capital. Some will not be profitable. Some won't qualify and could have different tax strategies. We recognise that companies are heterogeneous not homogenous. So, there will be no one size fits all response to the super-deduction.

This is the time to seize the opportunities digital mobility presents.

Following the lessons learned during the pandemic, most businesses will surely want to innovate and invest in digital mobility. However, at the same time, around 55% of companies say cash flow is the biggest obstacle to growth. They want the technology that gives them an edge, but they're concerned as to how they'll pay for it.

CFOs have a warranted professional caution, but there are times in business when inaction can

be more dangerous than action. This is the time to seize the opportunities digital mobility presents. The Samsung Capital model, alongside the super-deduction, helps preserve cash and drive investment and innovation at the same time. Amortisation enables financing through regular payments, as opposed to upfront costs. The super-deduction provides tax relief on qualifying capital assets, which includes investment in mobile digital devices and software. It's also optimised through a higher purchase-style arrangement.

The Spanish Flu of 1918-19 was followed by 'The Roaring Twenties', as electricity and automotive technologies finally began to transform the economy—even though they had actually been invented many decades before. Mobility will be a key driver of any repeat a century later, as it helps to make all businesses digital businesses.

**Learn more about Samsung Capital and how it could help you provide your people with the mobility tools that give your business the edge at [samsung.com/uk/business/capital/](https://samsung.com/uk/business/capital/)**