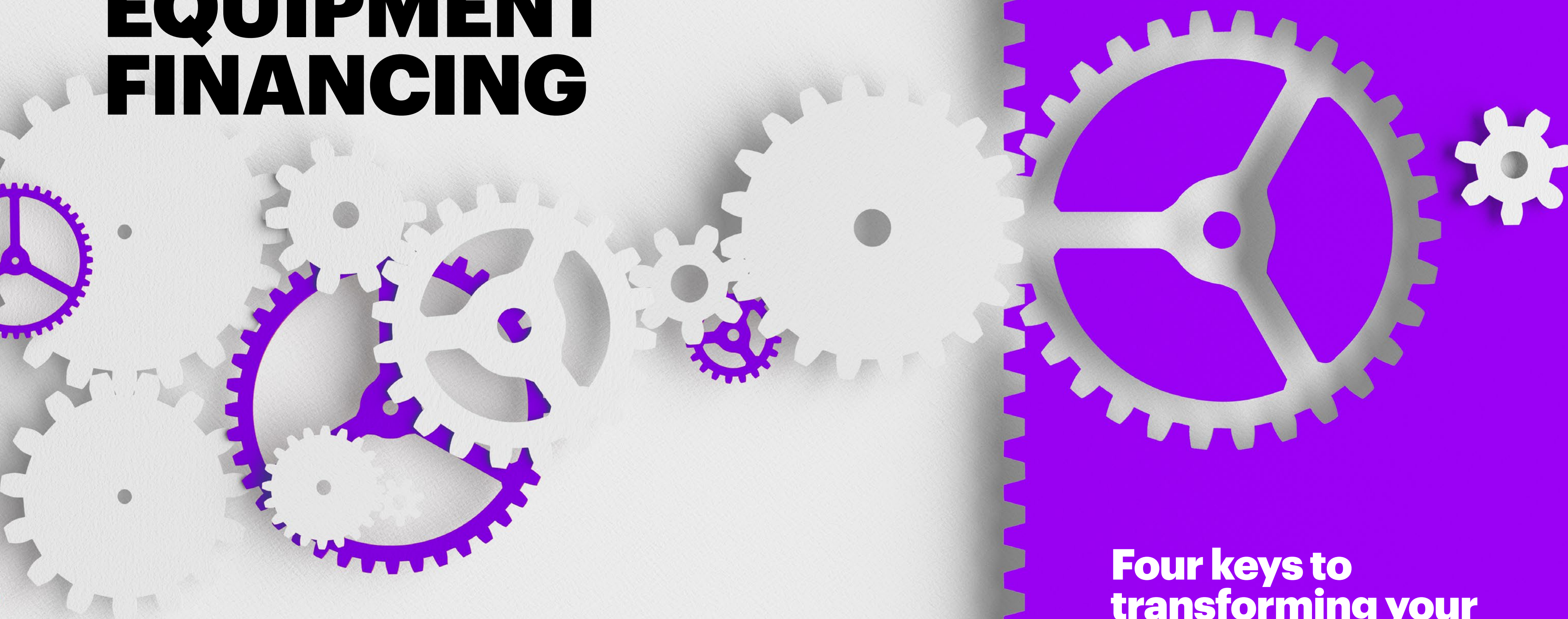
PLATFORM MODERNIZATION FOR AUTO AND EQUIPMENT FINANCING



Four keys to transforming your lending and leasing operations

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INTRODUCTION

Financial services institutions of every size and specialty are transforming their digital capabilities to attract a new kind of customer and to stay competitive in a rapidly evolving industry. For many, that means modernizing their lending and leasing platforms.

Platforms are all about capabilities, and a capable platform has to be able to adapt to shifting customer demands, expectations, and needs. The global pandemic has shown us the importance of being able to quickly shift with changes in the environment—for example, enabling contactless payments, supporting a remote workforce, and pivoting to entirely new business models.

Platform modernization holds the promise of flexibility, growth, and cost reduction. However, the road to a successful platform launch can be longer and more complicated than many lenders and lessors might expect.

The journey starts with getting the right platform for your needs. This means examining the software's architecture and integration points and how they relate to your business needs and objectives. We also consider the vendor's strengths and weaknesses and whether the vendor would be a good fit as a strategic partner.

Beyond choosing the right software to support customers and the business, you will need to:

- Decide on the right level of customization and flexibility
- Identify and avoid common pitfalls
- Assess the skills of the team
- Manage the changes that impact the workforce
- Demonstrate the value of change to stakeholders throughout the process

By modernizing platform capabilities, financial services institutions can become more nimble, responsive, and profitable. They can also design new ways of working to support the adaptive workforce of the future—one that is augmented by new technologies like artificial intelligence (AI).

While there is no such thing as one-size-fits-all digital transformation, executing at scale means getting certain things right from the outset.

At Accenture, we see four keys to digital transformation success:
1. Get the data right
2. Create processes that create value
3. Solve the technology equation
4. Manage change for the better

In this paper we examine each of the four keys and offer real-world examples of how they have been put to work

WHAT'S A PLATFORM, ANYWAY?

The term "platform" can be overused. In this context, we use the term to mean software solutions that support lending and leasing across the enterprise.

1. GET THE DATA RIGHT

Your lending and leasing software platform is the engine of your business. Put the wrong fuel in your engine, and your business will go nowhere. That's why managing the data-related aspects of platform transformation is so crucial.

How does an organization get "clean" data into its system and prepare to receive data generated by consumers and channel partners? Companies that are succeeding in their digital transformation strategies and positioning themselves for future data monetization tend to start with these six steps:

1. IDENTIFY ALL SOURCES OF DATA

Audit all data sources and aggregate data so it can be loaded into the new system.

2. UNDERSTAND THE COMPLEXITIES OF THE DATA BEING CONVERTED

Every organization's data will have unique complexities. The team needs to understand the specific ways in which its data is complex and different from that of other organizations and industry segments which may be contributing additional data through digital channels. For example, an equipment financer would need to deal with contract data containing variable lease terms and rates; an insurance carrier would have complex policy and actuarial data.

3. RE-TOOL LEGACY DATA STRUCTURES TO FIT DECENTRALIZED FINANCE

Data elements may need to be adjusted before the data can be loaded into the new platform's tables.

4. MAINTAIN RESOURCE READINESS

Establish change management and resource training and readiness plans with adequate QA/QC capabilities.

5. CONVERT WITHOUT DISRUPTION

With the right planning and validation approach, organizations can convert their data with no impact on business operations.

6. UNLOCK THE POWER OF YOUR DATA

Now that you have corralled your data into a space where it is clean and actionable, remember its purpose: to generate data-driven, purpose-driven insights. For example, applying advanced analytics can help you clarify your assets position, understand when equipment is coming back into the fold, and adjust lease terms if needed. In addition, data on customer usage patterns can help you react to client needs more proactively.

When it comes to data migration, the old "garbage in, garbage out" rule applies. If you find data cleanliness is a problem, data conversion might feel like a daunting task. To make it manageable and efficient, consider starting with a smaller scope to prove value and troubleshoot issues before scaling up. It also helps with stakeholder engagement and maintaining transformation momentum.

CASE STUDY:

EQUIPMENT LEASING AND SECURITIZATION TRANSFORMATION

A major wireless service provider in North America had just added device leasing plans for mobile phones and tablets and wanted to securitize its contract receivables. The CFO and the VP of Treasury looked to their directors of Treasury Operations and Finance & Capital Markets to implement a new platform that would help reduce device loss and associated revenue leakage. The big challenge was that the company's legacy applications and data silos rendered their leasing and lending operations fragmented and dysfunctional.

The directors both understood their teams would need to thoroughly assess their platform to unlock the customer, regulatory, and market data needed to support leasing, securitization, compliance, and investor reporting. With help from Accenture, they looked at software and services from market-leading vendors and performed fit-gap analyses to understand how leading industry practices would be applied to address their own data needs.

They were able to design, develop, and implement a comprehensive lease contract solution with both upstream and downstream capabilities, data conversion, and packaged securitization software including reporting and analytics. After the first phase of the project, revenue leakage had already been cut in half and operational savings were projected to top $200 million.

2. CREATE PROCESSES THAT CREATE VALUE

Reviewing and refining processes for a new platform doesn't have to be daunting. There are virtually infinite variations among business processes in theory. In practice, however, they break down neatly into three groups.

1. STANDARD PROCESSES

These processes can be thought of as commodities. They are built on universally accepted, industry-leading practices and require minimal customization. In our experience, they make up about 80 percent of all processes at a typical financial services organization.

2. DIFFERENTIATING PROCESSES

These processes are not key strategic advantages for an organization, but still differ from industry standards. Organizational design is an example of a differentiating process. These account for about 15 percent of a typical organization's processes.

3. INNOVATIVE PROCESSES

These are the "secret sauce" of a business. They are unique to each business and are almost always the source of strategic advantages. Roughly 5 percent of processes fall in this category. Making sure innovative processes are smoothly transitioned to the new platform is not easy, but it's worth the effort. We recommend using design thinking to take the customer's view and create new value.

CASE STUDY:

CORPORATE LEASE OPTIMIZATION

A country CEO of a major corporate vehicle lessor recognized his company's car-to-staff ratio was low—an indicator of inefficient processes. He knew the team needed an end-to-end audit of all their corporate lease processes to find ways to improve.

With Accenture's help, his team examined the tasks that consumed the staff's time and looked for answers to a few key questions. Were these tasks essential? If so, who should perform them? And how? These questions helped untangle the problem and revealed 11 work streams in which process improvements could contribute to a better car-to-staff ratio.

The CEO authorized a strategic project office to help prioritize and drive value-generating projects forward, including designing a new sales organization and implementing a new process to capture and manage customer complaints. From the 12-month project, the company saw a 20 percent increase in efficiency. The business case projects millions of dollars in annual savings.

THE POWER OF THE PMO

It's hard to overstate the importance of establishing and empowering a strong project management office (PMO) at the outset of a digital transformation. From developing the project charter to signing off when the dust has settled, the PMO will play a key role in all stages of the project's lifecycle.

The PMO should:

- Provide decision authority and empowerment to stakeholders
- Sustain everyone's commitment to the mission
- Provide process governance and ownership
- Lead the "pre-work" needed to drive a business-led transformation
- Maintain business alignment and buy-in from project stakeholders
- Manage expectations

AUTOMATION IS INSURANCE AGAINST THE UNFORESEEN

Cost reduction is a primary driver for automation, but not the only one. Accenture's Workforce 2025 analysis[1] shows that in financial services in North America, automation can unlock up to $23 billion in cumulative cost savings—and up to $117 billion in productivity gains from augmenting the workforce with technologies like artificial intelligence (AI).

Importantly, automation can enable organizations to be more flexible when unforeseen events happen. For example, contactless capabilities can mitigate interruptions to customer service, and automating manual work can support a remote workforce.

Think of automation as a key step in levelling up your organization's technology capabilities: a precursor for robotic process automation and, in turn, AI. Investing in automation can help you create a future in which it is easier to tap into new data sources, drive new insights through advanced analytics, and unlock revenue growth.

3. SOLVE THE TECHNOLOGY EQUATION

Selecting and implementing the right technology is about taking an Open Banking approach that balances off-the-shelf capabilities with custom solutions.

Most needs can be met with a low-cost, off-the-shelf software package. Custom software development becomes necessary for strategic capabilities that differentiate your business. We call it the "80/20" approach, because roughly 80 percent of required capabilities can be acquired off-the-shelf, and the remaining 20 percent call for customized development.

The 80/20 approach helps organizations reduce IT costs, but sticking to it is more difficult than it may seem. Accenture takes a co-creation approach with our clients to help focus attention on their technology needs and determine the best use of technology resources. We run design workshops to produce a solution blueprint and a business process inventory that, together, guide future development decisions.

CASE STUDY:

INFOLEASE 10 AT A GLOBAL TECH COMPANY

Even major technology companies can struggle to keep up with the pace of innovation. One such company found its dated leasing technology and processes could not accommodate InfoLease 10. It was running a version 66 releases behind.

The CIO understood that retaining an older version of the software hampered the productivity of the company's leasing operations and left the system vulnerable to security threats. He also knew that migrating to InfoLease 10 would impact systems used by multiple groups, including program management, project management, testing, and business enablement. With help from Accenture, the project team found solutions that better integrated with other systems, including SAP and the company's data warehouses.

After the nine-month project, the company saw greater returns on its InfoLease investment. With InfoLease 10's reporting capability it was able to retire its antiquated in-house reporting solution and focus further technology investments on more advanced solutions that help differentiate it in the market.

4. MANAGE CHANGE FOR THE BETTER

One truth we all recognize is that change is hard. As a species, our fear of change and the unknown is hard-wired. Platform modernization is a change that will reshape the way every member of the organization works. In order to follow through—and benefit from—the 80/20 approach for selecting and implementing technology, it's essential to manage change in the organization.

The worlds of work and financial services are changing quickly. Consider that 67 percent of C-suite executives in financial services agree that AI will be critical to their organization's ability to differentiate in the market. Yet, only 25 percent say their employees are ready to work with intelligent technologies, and only 3 percent plan to significantly increase their investment in training and reskilling programs over the next three years.[2]

Financial services institutions have an opportunity to set new benchmarks for customer and workforce experiences. It's a change that's much needed. To plan and execute a journey that makes change happen "with the organization" and not "to the organization," we recommend four steps.

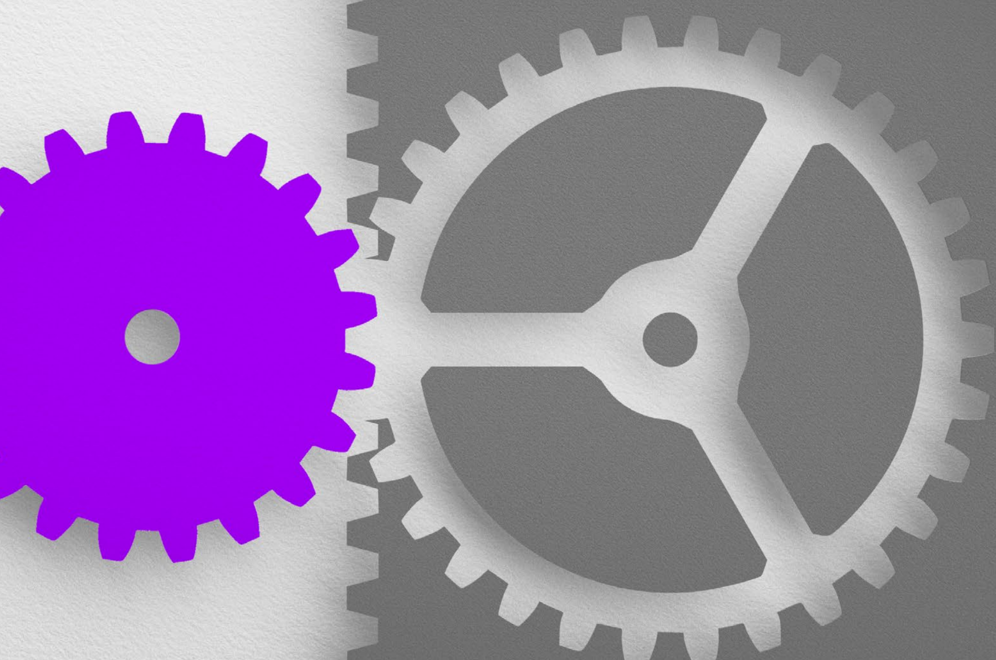
1. **Forge a strong alliance with change leaders across the enterprise.** The people steering the ship must agree on where it needs to be and the best way to get there.

2. **Understand the mindset of employees and how they feel about the change.** It is important to avoid wishful thinking and, instead, rely on impartial data. While it may be tempting to cut costs by avoiding research, it could prove a lot more expensive in the long run.

3. **Take an audience-centered approach** Assess what each aspect of the change will mean for each stakeholder group and plan accordingly.

4. **Use insight-driven tactics to manage the change, with a bias for proactive dialogue and early intervention.** Any change management strategy is only as good as its capacity to detect and adapt to the unexpected.

These steps will help create an agile, predictable, and sustainable change process.



CASE STUDY:

CANADIAN EQUIPMENT FINANCE ACQUISITION

Acquisitions are among the most challenging business changes to manage. The equipment finance subsidiary of a top ten Canadian bank had just acquired the Canadian subsidiary of a global equipment finance company. The two companies each brought their own data, vendors, and technology platforms, but it wasn't clear to the acquiring bank which combinations would yield the best long-term value.

The head of the commercial bank and the senior vice president of the acquisition needed a quick plan of action. The transitional service agreement imposed an unusually short timeframe, and they did not want to risk losing customers from either business due to friction caused by hastily implemented changes. Working with Accenture, their teams engaged key business and change leaders to determine which equipment finance platform would yield optimal results. They worked to understand employees' pain points, identify opportunities, assess implications and proactively manage the resulting changes with regular communications and feedback channels.

Using this approach, they were able to understand the organizations' current state, assess vendors, and envision the target state of the integrated company. The resulting roadmap is projected to save over $500,000 annually. In addition to short-term cost savings, careful and collaborative change management means the company can identify potential risks early—which can inform decisions to create greater efficiency in the long term.

TOWARD DIGITAL TRANSFORMATION SUCCESS

Many auto and equipment finance players are making strategic investments in digital transformation. Platform modernization can help you enable the workforce of the future and build a flexible organization that can better adapt to change. These capabilities are essential to competing in a rapidly evolving marketplace today—and to respond effectively when market winds shift in the future.

Getting the data, processes, technology, and change management strategies right will determine the success or failure of your platform modernization. Decoupling from legacy systems and processes can help your business identify and fix inefficiencies and better understand how emerging technologies can continually augment your operations.

At Accenture, we work with our auto and equipment finance clients to co-create digital transformation solutions so they can make personalized offers to their customers in the moment. We welcome the opportunity to talk with you and your team about the experience you would like to create for your customers.

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