Business Technology Performance Index 2016/2017
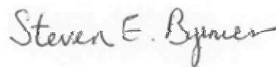
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Preface

We are proud to present the **2016/2017 Business Technology Performance Index (BTPI)** in collaboration with the Equipment Leasing and Finance Association (ELFA). The BTPI provides insight into the technology trends and forward-looking initiatives that equipment finance companies anticipate, have undertaken, or recently completed in efforts to drive their firms into new markets and opportunities, and improve their operations.

The main objective of the BTPI is to understand the current thinking of market-leading equipment finance firms relative to decision-making processes associated with operations and technology initiatives. The report also reveals the current state of technology in the equipment finance domain and how it may help to shape and change the industry.

We believe the findings in the following pages can help in the construction of equipment finance business plans and the technology strategies to support those plans. The BTPI may also assist in efficiently benchmarking and refining your existing information technology (IT) strategic direction against the market.

Cordially,

Steven Byrnes   **Michael Donnary**

1. Executive Summary

Last year, we reported that replacement of back-end (servicing) systems was on the rise as a top IT-related initiative that equipment finance companies were looking to undertake in the next 18 months. Our recent survey findings reflect that both front-end (originations) and back-end (servicing) platform replacement remain as key initiatives since the average life of current systems in place continues to rise.

The 2016/2017 BTPI survey results also suggest an uptick in equipment finance companies looking to undertake other key initiatives over the next 18 months as they seek to remain competitive in the industry. These include business intelligence improvements, electronic signature solutions, and better integration of systems (both with internal and/or other third party systems).

The current landscape in the equipment finance industry continues to drive organizations to seek new and creative ways to differentiate themselves in the market place. The Value Discipline Model was first created as a strategic tool back in the early 1990's by corporate strategy experts Michael Treacy and Fred Wiersema to help companies differentiate how they want to be valued by their customers. This powerful framework is still very much prevalent today and can be applied to companies within the equipment finance industry.

The model suggests that companies that want to remain competitive need to be competent across three distinct value disciplines: operational excellence, customer intimacy, and product leadership. The model also suggests that in order to be a market leader, companies need to choose and excel in one of the three value disciplines.

In our most recent BTPI survey, we asked equipment finance companies how they viewed themselves against each of these value disciplines. 58% of our survey respondents ranked customer intimacy as the number one discipline for their organization.

The 2016/2017 Business Technology Performance Index will take a closer look at customer intimacy and help to provide some insights for equipment finance professionals as to:

- What is customer intimacy?
- How customer intimacy approaches have evolved and leveraged digital technologies
- How developing customer intimacy will be a competitive advantage in the age of digital innovation

In exploring the areas outlined above, we will also take a more in-depth look at some of the tools that equipment finance companies are using to drive customer intimacy throughout their organizations. In conjunction with our survey findings, we will look at CRM and Big Data as tools for gathering and segmenting customer information, mobile and social media for customer communication channels, and BPM for facilitating customer facing processes.

Equipment finance companies need to be highly competent when it comes to operational excellence, customer intimacy, and product leadership in order to maintain their competitiveness in the industry. Aligning a sound digital strategy using a combination of solutions available in the market place can provide a competitive advantage and help an organization achieve market leader status should they choose to do so.

In the Connections section of this edition of the BTPI is a related discussion topic entitled **"Evaluating and Selecting Software and Service Providers".** There we will provide insights on how equipment finance companies can best evaluate software and service providers available in the market place, and select the right solutions for their needs.

2. Developing Customer Intimacy in the Age of Digital Innovation

Customer Intimacy: Background and Context

In the 2016/2017 BTPI report, we look to explore developing customer intimacy in the age of digital innovation. To help better understand customer intimacy in this context, we have used the Value Discipline Model as a basis for discussion.

In 1993, *The Value Discipline Model* was first published by Michael Treacy and Fred Wiersema in a prominent Harvard Business Review article, **"Customer Intimacy and Other Value Disciplines".** It presented value disciplines as a strategic tool for organizations to define and understand what they want customers to value them for as a company.

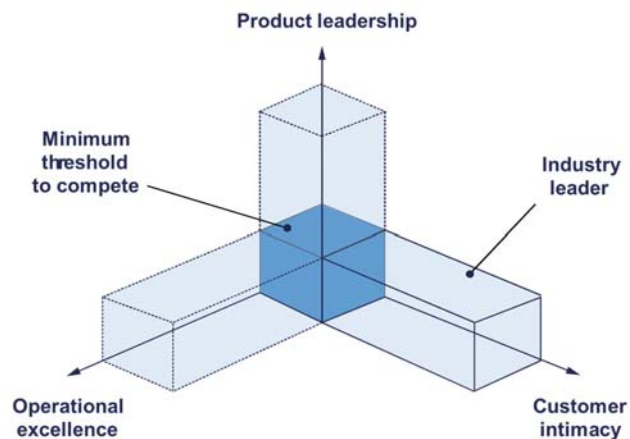The model refers to the following three specific disciplines:

Figure 1 – Treacy & Wiersema's Value Discipline Model

Operational Excellence – Operational process and customer service excellence delivered to customers at the lowest possible price. Companies that excel in this area efficiently manage people, processes, transactions, and effectively measure quality and cost.

Customer Intimacy – Segmenting/targeting markets and tailoring offerings to match exact demands of those niche markets. Companies that excel in customer intimacy combine detailed customer knowledge with operational flexibility so they can respond quickly to almost any customer need.

Product Leadership – Market-leading products and a high degree of innovation. Companies that excel in product leadership create and deliver cutting edge products that are highly valued by customers.

In 1995, Treacy and Wiersema further expanded on their original article in the book **"The Discipline of Market Leaders"**. By introducing the discipline of

58%

of survey respondents ranked customer intimacy as the primary value discipline for their organization.

customer intimacy, they also built upon Michael Porter's world-renowned work around competitive strategies.

The basic tenets of their work mandate that in order for organizations to remain competitive, they need to be competent in three disciplines—product leadership, operational excellence, and customer intimacy. In order to be a market leader, organizations must excel in one of the three disciplines.

Figure 2 below highlights the dominant traits that equipment finance companies need to demonstrate within the given discipline for which they choose to excel.
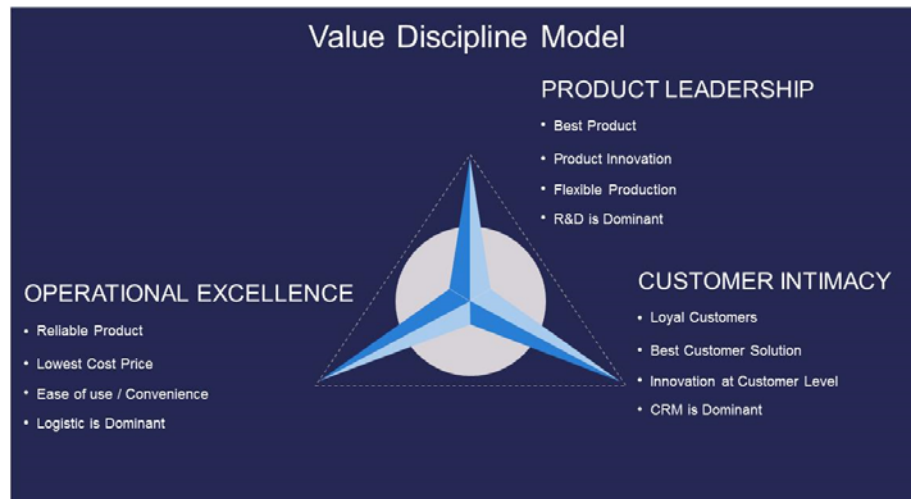

Figure 2 – Key Discipline Traits

In the 2016/2017 BTPI survey, we asked equipment finance companies to rank (in relative order of priority) how their organization viewed each of these value disciplines:

- **58%** of survey respondents ranked **customer intimacy** as the primary value discipline for their organization
- **27%** ranked **operational excellence** as their primary value discipline
- **15%** selected **product leadership** as their primary value discipline

Also of note, 31% of respondents selected customer intimacy as their second value discipline in order of priority.

Given these findings, we will look at developing customer intimacy in the age of digital innovation as a central theme to this year's BTPI report. In this context, we will define **customer intimacy** *as a strategy whereby equipment finance companies seek to get closer to their customers by better understanding their wants and needs, and by responding to satisfy those wants and needs.*

In order for equipment finance companies to be dominant in the customer intimacy discipline, they need to establish and maintain a loyal customer base, provide the best customer solutions, innovate at the customer level, and maintain robust and dominant customer relationship management (CRM).

CRM has shifted from a focus on point solution deployment centered on application suites, to a customer experience that captures the entire customer journey by bringing together customer information, analytics, workflows, mobility, and social CRM disciplines into a richer, multichannel access.

How Customer Intimacy Approaches Have Evolved and Leveraged Digital Technologies

Equipment finance organizations have used a number of tools to drive customer intimacy in this age of digital innovation, including but not limited to CRM, Big Data, mobile channels, social media, and BPM.

Customer Relationship Management

In the 1980's, it was initially known as database marketing, which is considered the advent of customer relationship management (CRM). CRM in the 90's brought about customer rewards and perks, a stronger emphasis on customer service as a valued discipline, and the advent of sales force automation. The new millennium then brought about open source, cloud, and social CRM.

Today CRM has shifted from a focus on point solution deployment centered on application suites, to a customer experience that captures the entire customer journey by bringing together customer information, analytics, workflows, mobility, and social CRM disciplines into a richer, multichannel access.

CRM Landscape: Capture the Entire Customer Journey

Figure 3 – CRM Landscape

The following table captures our survey findings about how CRM has evolved in for equipment finance companies. A key highlight is that only 18% of respondents reported that CRM processes and systems have become a competitive advantage for their business:

Only

18%

of respondents reported that CRM processes and systems have become a competitive advantage for their business

IT/Operational Maturity	Definition	% of How Respondents Viewed CRM[1]
Initial	Ad-hoc processes. Systems which are not industry standard and do not cover the entire leasing life-cycle. Widespread use of Excel and standalone, non-integrated systems and tools.	4%
Repeatable	Core processes established, although inefficient. Duplication of data entry prevalent. Core systems integration with supporting systems is non-existent or poorly executed. Front-end and back-end platforms have limited interface. Reporting is manual and ad hoc. Organization is dependent on good people, not good processes and systems.	43%
Defined	Processes are documented, standardized, and well integrated with core systems. Some consideration of processes and systems is given prior to new market entry or new program development. Workflow drives processes. Two-way integration between front-end and back-end platforms. Partners are linked in through the web for new business.	21%
Managed	Key Performance Indicators and metrics established for processes. Systems and processes drive financial offerings. Web presence extends to partners and customers and covers a wide range of front-end and back-end capabilities. Manual data entry is minimized or outsourced, focusing internal resources on analysis and customer serving activities.	11%
Optimizing	Continuous process improvement. Processes and systems have become a competitive advantage for the business. Financial products are highly integrated with processes and systems and some aspects of them are difficult to duplicate by competitors. Customers and markets drive system investments.	18%
N/A	Not applicable	4%

There appears to be a significant opportunity to further develop CRM processes and systems for equipment finance companies that truly wish to establish customer intimacy as their primary value discipline.

Only 15% of companies reported that CRM / 360-degree view of the customer was one of their top 3 key IT-related initiatives that would be undertaken within the next 18 months. That being said, companies reported using CRM overwhelmingly for outbound marketing offers, know your customer, asset management /marketing purposes, as a factor in transaction pricing, and for inputs to the overall credit evaluation process.

In considering the technology adoption life cycle when looking at CRM, our respondents indicated that only 12% considered themselves as a market-leader. A combined 58% fell below the mark as "conservative" or "beginner" in the CRM space.

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1 The percentages in this table do not add up to 100% due to rounding.

Technology Adoption Life Cycle	Definition	% of How Respondents Viewed CRM
Market Leader	Companies that have executives that share a strong vision for what new technologies bring, invest in and manage digital technologies quickly and effectively, and gain the most value from digital transformation.	12%
Aggressive	Companies that are very aggressive in adopting new technologies, but do not coordinate well across departments or do not have an effective vision in place for dealing with the digital business.	30%
Conservative	Companies that deliberately hang back when it comes to new technologies, although their management has a vision and effective structures in place to govern technology adoption.	50%
Beginner	Companies that have probably used email, internet, and various kinds of enterprise software. But they have been slow to adopt, or are skeptical of, more advanced digital technologies such as social media and analytics.	8%

This data suggests that there appears to be a significant opportunity to further develop CRM processes and systems for equipment finance companies that truly wish to establish customer intimacy as their primary value discipline.

True best-in-breed organizations are now using CRM to drive customer intimacy and achieve the following goals:

- Full 360-degree view of the customer (digital end-to-end)
- Better customer intelligence
- Better customer experience and engagement
- Better customer connection
- Complete, cross-channel coverage of the customer journey
- End-to end reporting
- More customers, more loyalty
- More revenue, more profitability

Big Data

Capgemini has carried out a joint research program with the MIT Center for Digital Business to look at digital transformation in its broadest context. The research has reached out to over 1,500 businesses to understand the impact of digital technologies and how organizations are adapting to deal with the opportunities they present.

We define digital transformation as the use of new digital technologies (social media, mobile, analytics, or embedded devices) to enable major business improvements such as enhancing the customer experience, streamlining operations, or creating new business models.

Big Data has evolved from just a buzzword a few short years ago to a key part of the digital transformation phenomenon, underpinning most digitally-enhanced processes, whether they relate to customer experience or operations. It is the analysis of Big Data sources that provides a better understanding of customer

Big Data technologies are helping address various limitations that have limited the creation of a holistic customer profile, a consistent channel strategy, and an enhanced 360-degree view to enable a targeted customer experience.

behavior, operational activities, assets, and organizational processes. And it is the application of that analysis at the point of action that is a key driver to improve the customer experience or the business process in the new digital world.

Best-in-breed companies are looking to Big Data to transform their core business and create significant revenue opportunities. Big Data technologies are helping address various limitations that have limited the creation of a holistic customer profile, a consistent channel strategy, and an enhanced 360-degree view to enable a targeted customer experience.

In the previous 2015/16 edition of the BTPI report, we discussed one of the principal building blocks in designing for digital – "Thriving on Data". When data is turned into insight – provided at the point of action – it becomes a true business value. Organizations can benefit from next-generation Big Data technologies by reshaping their existing landscape into a more cost effective, yet agile foundation for business. They thus enable themselves to deal with the flood of data that will come from connected people and things. Predictive analytics – delivered in real time – can also substantially redefine business models. Organizations that manage to create an "Insight Everywhere" culture will truly thrive on data.

A recent study conducted by Capgemini *entitled Big and Fast Data: The Rise of Insight-Driven Business (2015)* cited four ways in which data-driven insights are changing businesses:

1. Efficiency and cost focus
2. Growth of existing business streams
3. Growth through market disruption from new revenue streams
4. Monetization of data itself, with the creation of new lines of business

The common theme of all these models is the creation and application of insights based on massive, often disparate data sets. One interesting note in the study highlighted that 56% of respondents also believed that their investment in Big Data over the next three years will all outstrip past investment in information management.

As it relates to customer intimacy, let us focus on one of these models – **Using insights to drive the growth of existing business streams.** While cost reduction approaches could keep you in the game, they don't bring the differentiation that most companies need to thrive in highly competitive markets. Insights from Big Data are being used to enhance existing market offers through a better understanding of customers and consumers and of the effectiveness of marketing and sales activities. For many industries, this means developing a much more granular understanding of their customers by aggregating and analyzing all the relevant customer data from both inside and outside the company, including social media. The idea is to achieve an accurate 360-degree customer view. Using the power of deep customer analytics and behavioral modeling, organizations can then create both innovative and relevant service offerings that customers actually want, all delivered in an integrated and seamless digital customer experience.[2]

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[2] Capgemini, It's All About Them: Your Customers' All-Channel Experience, http://www.capgemini.com/resources/its-all-about-them-your-customers-allchannel-experience

In this year's BTPI survey, we asked equipment finance companies:

How much information does your organization generally have about your customers?

Degree	Definition	% of Respondents
Low	We collect a bare minimum of customer information to process a transaction.	19%
Medium	We gather detailed customer information that is not segmented into targeted markets.	46%
High	We have a full and detailed 360-degree view of our customers that is segmented into target markets.	35%

In addition, our respondents indicated the highest usage of Big Data as a tool was 1) as a factor in credit scoring and 2) as an input to the overall credit evaluation process. These results combined indicate that there is a significant opportunity for improvement for equipment finance companies that gather low or medium levels of information (65%). There is also an opportunity to utilize Big Data in other areas of their business operating model to develop customer intimacy.

A correlation can also be made that our respondents identified their business intelligence / reporting capabilities as Defined (32%) and Repeatable (29%) on the IT / Operational maturity spectrum. Only 18% reported as Optimizing.

In looking at the technology adoption life cycle, there are some interesting insights when it comes to Big Data with no market leaders in the mix:

Technology Adoption Life Cycle	Definition	% of How Respondents Viewed Big Data
Market Leader	Companies that have executives that share a strong vision, invest in, and manage digital technologies quickly and effectively. These companies gain the most value from digital transformation.	0%
Aggressive	Companies that are very aggressive in adopting new technologies, but do not coordinate well across departments nor have an effective vision in place for dealing with the digital business.	30%
Conservative	Companies that deliberately hang back when it comes to new technologies, although their management has a vision and effective structures in place to govern technology adoption.	35%
Beginner	Companies that have probably used email, internet and various kinds of enterprise software but have been slow to adopt, or are skeptical of, more advanced digital technologies such as social media and analytics.	35%

46%
of respondents indicated they collect a "medium" level of detailed customer information that is not segmented into target markets".

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Mobile Channels

23%

of equipment finance companies reported that they use mobile channels to drive customer intimacy.

While CRM and Big Data are tools to help gather and segment customer information to help drive customer intimacy, channels such as mobile and social media will help companies connect with customers.

We have seen wide adoption of mobile technology evolve throughout the global banking industry with on-line banking capabilities at the forefront. Banks are providing customers with capabilities allowing for a wide range of financial transactions and customer interaction on smart phones and tablets. Mobile banking has evolved to a norm in this age of digital innovation.

According to the 2016 Capgemini/EFMA World Retail Banking Report, Customers reported growth in positive experiences through every channel, with mobile channels quickly catching up with the Internet and branch channels. Mobile is gaining ground, becoming the second-most-used channel after the Internet.
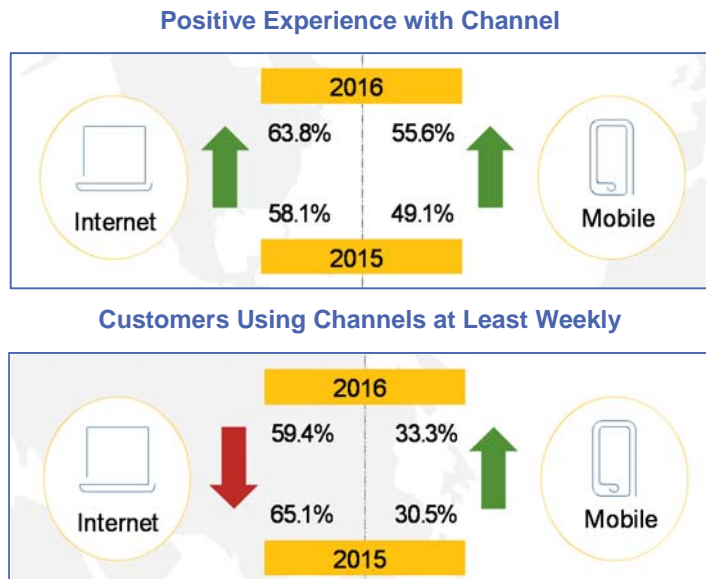
Positive Experience with Channel

Customers Using Channels at Least Weekly

Figure 4 – Changes in Channel Experience and Usage (%), 2015 – 2016

There is opportunity for equipment finance companies to grow this channel and use mobile channels to drive customer intimacy. Twenty-three percent of equipment finance companies reported that they use mobile channels to drive customer intimacy.

When it comes to the adoption of mobile device technology, we see that 46% of equipment finance companies ranked themselves as adopters at the beginning of the technology adoption lifecycle and another 42% ranked themselves as conservative adopters. In terms of the adoption of mobile applications, we see companies at 46% beginners and 46% conservative adopters. Also of note, when looking at mobile capabilities on the IT/Operational Maturity spectrum, we see the following:

IT/Operational Maturity	Definition	% of How Respondents Viewed Mobile Capabilities[3]
Initial	Ad-hoc processes. Systems which are not industry standard and do not cover the entire leasing life-cycle. Widespread use of Excel and standalone, non-integrated systems and tools.	29%
Repeatable	Core processes established, although inefficient. Duplication of data entry prevalent. Core systems integration with supporting systems is non-existent or poorly executed. Front-end and back-end platforms have limited interface. Reporting is manual and ad hoc. Organization is dependent on good people, not good processes and systems.	11%
Defined	Processes are documented, standardized and well integrated with core systems. Some consideration of processes and systems is given prior to new market entry or new program development. Workflow drives processes. Two-way integration between front-end and back-end platforms. Partners are linked in through the web for new business.	25%
Managed	Key Performance Indicators and metrics established for processes. Systems and processes drive financial offerings. Web presence extends to partners and customers and covers a wide range of front-end and back-end capabilities. Manual data entry is minimized or outsourced, focusing internal resources on analysis and customer serving activities.	4%
Optimizing	Continuous process improvement. Processes and systems have become a competitive advantage for the business. Financial products are highly integrated with processes and systems and some aspects of them are difficult to duplicate by competitors. Customers and markets drive system investments.	7%
N/A	Not applicable.	25%

Only 7% of respondents viewed mobile capabilities as a competitive advantage for the business. Our findings also suggest that 44% of respondents ranked mobile capabilities as one of the top features missing or highly deficient in their front-end platforms while 28% saw it missing or highly deficient in the back-end platform.

Social Media

Just a few short years ago in our 2014/2015 edition of the BTPI, we reported that overall use of social media across the globe continues to increase year after year with estimates at that time showing almost 2 billion users worldwide.

The 2016 Capgemini/EFMA World Retail Banking Report reported that while social media usage has progressed slowly over the last year, it is catching up to

In the equipment finance industry,

15%

of our survey respondents this year indicated that social media is used as a tool to drive customer intimacy for business functions such as outbound marketing and collection purposes.

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[3] The percentages in this table do not equal 100% due to rounding.

the other channels in terms of providing a positive experience. With customer receptivity to social media running high, banks should continue to upgrade this channel with additional functionalities that will distinguish them from the competition.

Positive Experience with Channel

Customers Using Channels at Least Weekly

Figure 5 – Changes in Social Media Usage

In the equipment finance industry, 15% of our survey respondents this year indicated that social media is used as a tool to drive customer intimacy for business functions such as outbound marketing and collection purposes.

Business Process Management

With CRM and Big Data as the data collection and segmentation components, and mobile technology and social media as the means to communicate with customers, one could view business process management (BPM) as the support mechanism to help drive customer intimacy. Several decades ago, one might say that BPM was primarily viewed as workflow. However in today's age of digital innovation, the use of BPM goes far beyond just workflow and facilitating the movement of a transaction or business process.

Given the current landscape within the industry, we have spoken at length about the ability for equipment finance companies to know more about their customers and to gather data for the organization about customers. However, having this information available and using it are very different. How a company uses the information is paramount to how well a company can assimilate into the modern environment of fast moving and available information. By leveraging a BPM solution or BPM concepts, an organization can consume and act on data simultaneously. BPM solutions can bring data from a multitude of different places into one location to facilitate actions and decisions within an organization or business process, and this can be deployed real time.

Companies must have the ability to innovate and move quickly to leverage the information available and differentiate themselves to a customer. Gathering data in one location to make quicker decisions can be the difference in winning a deal

By leveraging a BPM solution or BPM concepts, an organization can consume and act on data simultaneously.

or losing. Likewise, regulatory environments often require changes to a business process and a BPM enabled environment can make such changes quicker than reengineering a legacy system's workflow and rules.

Downstream the ability to ensure your consumers are aware of the innovation and speed at which your organization can act is just as important. BPM solutions can fold in the ability to ensure the information is shared in the appropriate channels in a timely fashion. After all, what good is ensuring your organization is fast moving and innovative if nobody knows or doesn't know quickly enough. In 2016, only a quarter of respondents labeled themselves in the top half of the digital adoption scale of enabling a BPM solution. However as more companies enable the prior four initiatives discussed, expect that a BPM solution closely follows in priority to harmonize the technology deployed.

Balancing Technologies to Drive Customer Intimacy

When it comes to the equipment finance industry, developing customer intimacy may require somewhat of a different approach than other traditional industries. Equipment finance companies generally need to consider both partners and end-user customers.

For the purposes of these discussions, we will define partners as customer entities that may be considered as part of your vendor and/or indirect channels (i.e. vendors, manufacturers, authorized dealers, brokers etc.) whose financial transactions are generally in the form of a lease or a loan to the equipment finance company.

End-user customers can be defined as the final consumers of the given financial product provided by the financing entity. End user customers may be tied to the equipment finance company either via a direct channel or through a partner.
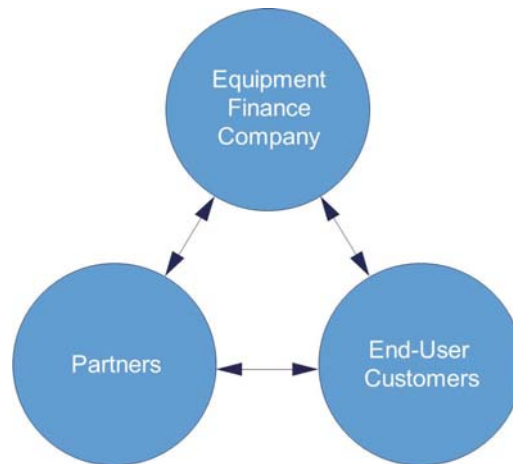
Figure 6 – Partner and End-User Customer Intimacy

As the Value Discipline Model suggests, developing an approach around customer intimacy coupled with competencies in operational excellence and product leadership with allow equipment finance companies to remain competitive in the industry. Going back to our original premise, companies that excel in customer intimacy combine detailed customer knowledge with operational flexibility so they can respond quickly to almost any customer need.

In the age of digital innovation and when it comes to IT systems and processes to support a customer intimacy strategy, it is not just implementing a single CRM platform or a Big Data solution. It is more than likely the right combination of several tools and solutions to support that strategy. It is important to understand that some of these tools and solutions may be transformational in nature while others may be tactical.

Equipment finance companies that want to be known for customer intimacy will have a competitive advantage and distinguish themselves as market leaders in the industry by:

1. Putting the right mix of tools and solutions in place
2. Using those tools and solution to truly understand what both partner and end-user customers' needs and wants
3. Act on those needs and wants to give customers what they ask for.

3. Study: Trends in Customer Segmentation

In line with our theme of customer intimacy which includes segmenting/targeting markets and tailoring offerings to match exact demands of those niche markets, we have included the following study on trends in customer segmentation.

(Adapted from Winning at Segmentation by Capgemini Consulting)

Segmentation is widely acknowledged as a fundamental component of understanding and addressing an organization's market. Most companies employ some form of market segmentation, even if rudimentary, to inform key strategic and investment decisions. Today, customer segmentation is no longer a simple, or static, marketing technique. It is core to the way successful companies run their businesses. However, despite the wide-spread use of segmentation and the importance of getting segmentation right, seldom do segmentation schemes live up to the expectations of management. Considering the significant investments of time, effort, and money to construct robust segmentation models, overcoming some of the common mistakes to segmentation and achieving more actionable solutions has become a strategic imperative.

In the scenario of widespread changes to the technology landscape, it has become imperative for companies to rethink their traditional approaches to segmentation. Most organizations continue to adopt segmentation classifications that squarely focus the products and services at 'Phantom Targets' – internally defined segmentation classification that does not relate to how customers actually acquire financing. Not surprisingly, this is a cause of many failed marketing efforts.

As digital customer centricity becomes an increasing source of competitive advantage it will become critical for companies to adopt a more 'outside-in' approach to segmentation. This means segmenting the customer not only on things that are of value to the organization but also on things that are of value to the customer. Based on this notion of shared value, four leading practices in customer segmentation are starting to emerge.

Comprehensively Assess the Current State

Before initiating any segmentation process, it is essential to make an assessment of the current state of segmentation market coverage, and align segmentation with strategic objectives and the operating model. An 'as-is' view of the competitor's market presence and leading practices is to be evaluated so that organizations do it differently. This business-centric design principle determines the firm's competitive position relative to industry through financial intelligence parameters such as size, market share, average revenue per customer, and impact on profitability. Moreover, the analysis of the current segmentation model identifies execution problems and root causes from the user perspective. Management should utilize the large amount of data collated by marketing through research and surveys to understand what customers actually want.

Today, customer segmentation is no longer a simple, or static, marketing technique. It is core to the way successful companies run their businesses.

Design a Context-based Multi-dimensional Segmentation Framework

Once segmentation criteria are drawn based on the 'Value From' and 'Value To' an organization, a segmentation model aligned with customer needs, the organization's capabilities, and overall corporate strategy has to be defined. Both qualitative and quantitative approaches are required to define a segmentation model that is feasible and relevant to the organization. This ensures that not only observable customer patterns but also unobservable purchasing patterns of groups are brought to the front in a shared value blueprint.

With the increase in collaboration platforms in the business landscape, not only should the customer's relationship to the organization be considered but the value generated through their relationship to other customers and partners should also be taken into account. Digital tools need to be utilized to combine unstructured data from multiple sources with structured information, after segments are built, to provide a 360-degree view of the customer.

Develop a Clear Value Proposition

After assessing the current state and designing a segmentation framework, it is necessary to identify qualitative and quantitative benefits accruing to the customers and the business. Customer segments that have unsatisfied customers or customers whose financing patterns can be met need to be identified and chosen from the 'Value From' and 'Value To' criteria. Each of these segments features a distinctive proposition and benefits to the customer. For the business too, they also need to characterize how the value opportunity could be realized taking into consideration current or potential capabilities. Companies with large financial product portfolios may have both more flexibility and more constraints on using segmentation. Irrespective of this, the key question is to identify target segments and positions that leverage the unique strengths of each product, while minimizing overlap and potential cannibalization with the other product positioning.

For example, Royal Bank of Canada designed a value-based customer experience blueprint looking for sub-segments with a strong potential for rapid income growth. After identifying a credit-strapped sub-group and programming a specific proposition to address their need, RBC's market share in the market for this sub-segment shot up from 2% to 18% and earned 3.7 times higher revenue per client than that of the average customer.

Define and Deliver Capability Requirement

Capabilities within the organization have to be detailed using value derived and value delivered. Processes across the value chain such as people, marketing, R&D, distribution, sales and technology have to be realigned to meet the positioning chosen. Changing an organizational business unit, for instance, from geography-based to financial product-based does not necessarily mean redesigning the technology infrastructure. With cloud technology, and the introduction of more standardized processes, technology solutions can be modified across geographies and product-based operating units.

Summary

Going forward, managers will need to take into consideration digital influences in every activity of the segmentation process, with an important emphasis on digital media inputs.

Managers looking for a better way to segment markets must once again address the question that is most important and fundamental to this discipline – what is it that makes customers truly different? To get an answer to this question, managers must look beyond the commonly used internal classification schemes and understand that markets are naturally segmented – from the customer's perspective – based on what they want a product or a service to do for them.

In order to maximize the value of segmentation, organizations need to break away from conventional measures. Advanced analytics enable organizations to build and act upon a more comprehensive and privileged view of their customer's needs, wants, and behaviors. Going forward, managers will need to take into consideration digital influences in every activity of the segmentation process, with an important emphasis on digital media inputs.

Segmentation will also need to be more contextual with rapid change in technology adoption, rendering the right offer at the right place at the right time. Segmentation will thus go beyond the traditional 'what and how' a customer acquires financing to understanding the changing value dimensions.

Successful segmentation requires more than just good data and robust analytical model. It aims at cognizing, identifying, and organizing customers around the determined value an organization receives and the desired value the organization provides. Increasing share of value created outside the organization and the influence of the digital age on customer financing behavior together determine the effectiveness of the segmentation model.

Organizations need to reconfigure the operating processes along the value chain, modifying capabilities and technology support along the way. However managers need to be careful not to regard segmentation as a superior exercise by itself, considering its pervasive impact and usage in the value chain. Superior segmentation is not a substitute for sound business judgment, the ability to generate discrete insights and developing capabilities. Segmentation should encompass the entire organization; understanding the customer should be a way of life and a fundamental driver of shareholder value.

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4. Case Study: Uber

In this age of digital innovation, many are using Uber on a regular basis and it has grown to become part of our everyday vernacular. The following case study written by one of Capgemini's thought leaders looks at what Uber and customer intimacy.

Case Study: What Can Uber Teach Us About Customer Intimacy?

By **Srikanth Iyengar** – SVP, Global Sales Officer – Capgemini

My job involves a lot of travel.

Before Uber came along, this used to be a bit of a challenge. Back then, we had a number of contracts with different taxi companies across various countries-- the same company would rarely operate in more than one country. There were also a number of logistical issues involved. Either I or someone else would have to arrange for a pickup beforehand, which meant I had to have a local phone number to contact. In many cases they would not accept a credit card and would only take payments in local currency, and so on and so forth.

All of that is now a thing of the past. Now whenever I travel (if the country has Uber), I know that with Uber I can get a taxi when and where I want it and that the service experience will be fairly consistent no matter where I am. The sense of freedom that this has given me is tremendous and it is for this reason that I am a regular user. In my view, Uber can teach us a lot about customer intimacy.

However, before I get into that, let me be very clear- by customer intimacy I mean the ability to build strong emotional bonds with customers.

So what can we learn about customer intimacy from Uber? The following sections contain a few of the key principles which stand out.

A) Knowledge of the Customer

The traditional definition of customer intimacy was all about customizing your services to particular clients based on your intimate knowledge of their tastes and preferences. This was best exemplified by some top-end hotels which would anticipate a guest's preferences based upon their previous history and requests.

Today however, thought leaders are increasingly talking about the concept of **collective intimacy** enabled by digital technologies. In contrast to one-on-one provider and customer relationships, collective intimacy deepens EACH relationship via insights developed ACROSS all relationships.

Uber is continuously monitoring demand and supply to calculate the price of your trip or to recommend the shortest and quickest routes. It even tells drivers where to hang out so as to match existing demand in the shortest possible time.

It isn't just chance that no matter where I have been in the world, I just have to tap the Uber icon and am immediately greeted with comforting presence of at least a number of those familiar steel-grey figurines moving across my screen, indicating taxis that are almost always close at hand.

B) Ease of Use

This is where Uber beats traditional competitors. The user interface is intuitive, it's just an arm's length away on my phone, and it's amazingly easy to use. The fact that it is an app means that I don't need to store different phone numbers or to co-ordinate with third parties. Instead, I get consumption at point and a seamless experience when and where I need it. In short, it has freed me up from almost all of the hassles that troubled me earlier.

C) Ability to Pivot, Flip or Change Plans

In my experience, Uber has also shown an amazing flexibility and resilience in being able to adapt to different circumstances and meet my changing needs. Uber monitors the traffic situation to continuously suggest the route that will take the shortest time. There has also been an instance where an Uber driver suggested that I take the metro due to the roads being packed on account of a football match. These are all examples of the service adapting to my goals in a manner that left me delighted.

So What Can We Learn from Uber?

The first lesson we can learn is about the importance of knowing our customers. I am not talking about superficial, reactive knowledge, but of knowing our customers to the extent of being able to anticipate their needs, perhaps even before they themselves are aware. This necessarily involves interacting with many different stakeholders throughout the eco-system, including both seniors and juniors, as well as people working in different departments.

As demonstrated by Uber, this also means making use of Big Data and Analytics in a way that enables us to ask the right questions even when we may not know the solutions. It means a level of engagement where we work together with the client to define and predict a problem rather than just getting involved after the client approaches us with one.

Today, apps like Uber have gotten customers used to a level of flexibility and convenience that they are increasingly demanding from every other aspect of their lives. Consumer's attention spans are low and so is their patience. Our clients also expect to deal with a single face of Capgemini anywhere in the world rather than having to sign multiple contracts in multiple jurisdictions. They expect that whoever they are dealing with should have a good understanding of them and their business. They expect that such institutional knowledge will be carried smoothly from context to context without excessive time spent in schooling new teams or personnel about a particular engagement.

The world is clearly changing, and we are changing with it. Are you?

5. Connections

Evaluating and Selecting Software and Service Providers

Replacement of front-end and back-end systems remains a top initiative for equipment finance companies in the near future. Modernization of our industry's legacy systems will provide equipment finance organizations with the business agility required to remain competitive and support key digital initiatives.

- **27% of respondents** surveyed indicated that a back–end platform replacement would be considered in the next 18 months, and 35% indicated the front-end platform would be looked at as well
- Core front-end **and back-end platforms** were reported at an average life of **10.3** and **12.8** years respectively in terms of their time in use
- **54% of all respondents** indicated that their core front-end platform does not meet their future needs, with 32% of respondents looking for increased workflow capabilities
- **38% of respondents** indicated that their core back-end platform does not meet their future needs and 63% indicated that their back-end platform doesn't meet their current needs

An Agile Approach to System Selection

Buying business-critical enterprise software entails significant risks for an organization. The goal of a vendor evaluation and system selection project is to purchase software that maximizes the ROI and minimizes implementation risks, but the sheer number of requirements makes this difficult to achieve. For example, a comprehensive enterprise leasing and lending system selection for a larger company can approach 10,000 requirements. Also, there is the risk of organizations overestimating their software selection abilities and underestimating the transformation effort.

Traditional evaluations tend to be like waterfall software development. Everything is defined up front, documented in the RFP, and then handed over to the software vendors. Vendors respond with proposals. The software is selected. The software is implemented.

In reality, organizations learn more about their needs all the way through the evaluation and selection phase and even in the implementation phase. As organizations learn more about potential software platforms, they refine their requirements. For example, features from potential products trigger ideas for new requirements, and existing requirement weights are adjusted up and down. Traditional RFPs can't handle this dynamic, agile environment. Because it is so rigid, the traditional RFP process loses valuable information along the way. This translates to greater risks of project failure.

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It is vital that an organization fully explore all needs and software capabilities earlier in the software selection process. It should be before the purchase because the discovery of unknown requirements can result in different software being selected. The best way to discover unknown requirements is to use the process of reverse engineering features from potential products back into requirements. This forces the team to think through issues that otherwise would have been overlooked. It is the primary way to discover unknown requirements and incorporate the latest technology into a software evaluation.

Whenever new requirements are discovered they should be added to the system, even if it is as late as the implementation phase. The system should also allow requirement and group weights to be dynamically adjusted during the evaluation as the organization builds a better understanding of their needs.

The Five Most Common Mistakes when Evaluating and Selecting Software and Service Providers

1. **Underestimating Political Realities**
   - Evaluations often do not consider the political frameworks of procurement, the functional or IT department (procurement shopping carts, established relationships between software vendor and company deciders)
   - Considering political factors inadequately renders evaluations rather useless

2. **Insufficient Business Case**
   - Both aspects of a business case (costs and benefits) are based on values that are too optimistic
   - We believe that 70-80% of all business cases have more favorable preliminary than post calculations

3. **Scientific Evaluation Matrix**
   - The evaluation matrix is subdivided into too many criteria, which effectively renders the model useless
   - Experience suggests that criteria groups should comprise no more than two lower hierarchical levels
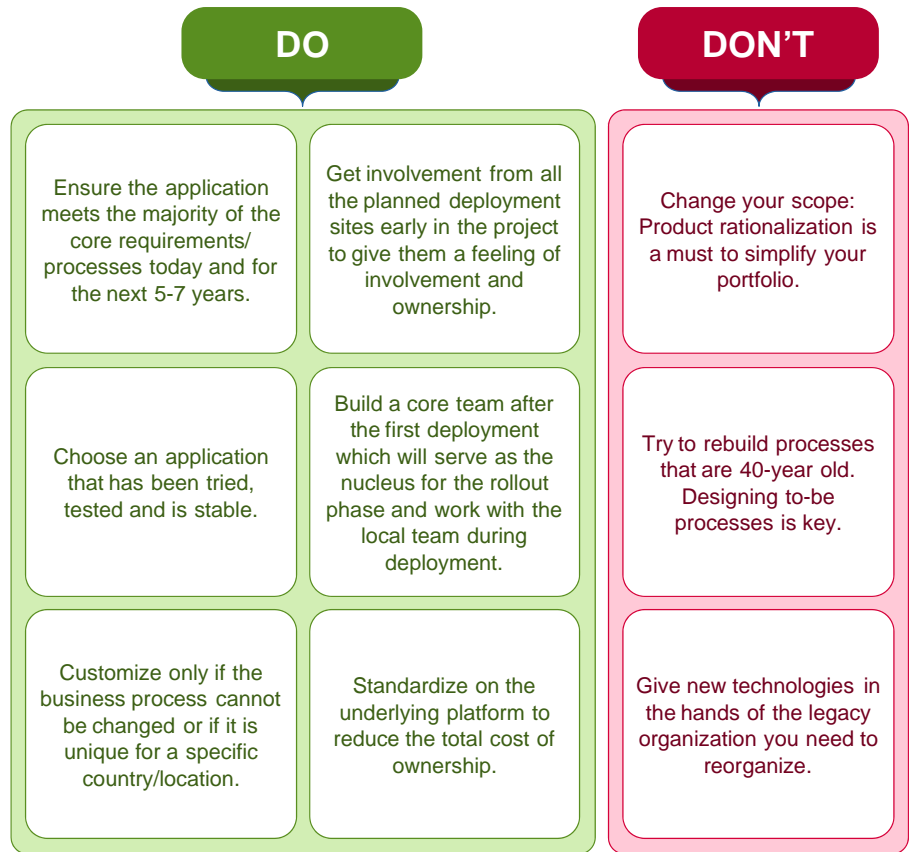
4. **Overlooking Killer Criteria**
   - Killer criteria are not labeled as such but only allocated more weight
   - Example: In particular circumstances, the offline capabilities of a Salesforce automation platform can be a killer criteria and should be treated accordingly

5. **Too Much Emphasis on the Sales Demonstration**
   - Many times the decision for a particular solution originates simply from the quality of the sales team. In these cases distinguishing between sales team and product quality can be difficult, and is hence often neglected. The showcase thus gains an undue influence on the decision
   - Consider the weight of the presentation of the software demonstration to be no more than 5-10%

System Selection Best Practices

DO

Ensure the application meets the majority of the core requirements/ processes today and for the next 5-7 years.

Get involvement from all the planned deployment sites early in the project to give them a feeling of involvement and ownership.

Choose an application that has been tried, tested and is stable.

Build a core team after the first deployment which will serve as the nucleus for the rollout phase and work with the local team during deployment.

Customize only if the business process cannot be changed or if it is unique for a specific country/location.

Standardize on the underlying platform to reduce the total cost of ownership.

DON'T

Change your scope: Product rationalization is a must to simplify your portfolio.

Try to rebuild processes that are 40-year old. Designing to-be processes is key.

Give new technologies in the hands of the legacy organization you need to reorganize.

6. BTPI Survey Findings

Customer Focus

Companies are moving toward a more customer-focused and friendly way of doing business. It is imperative to adapt and establish an easy, efficient manner to engage with customers in the current environment of fast moving data and decisions. One way this is evident is in the efforts taken to gather data on customers. Over 80% of respondents indicate they gather detailed data on their customers. In addition, statistics show an 18% year over year increase in integration to a CRM platform that historically has been a key item missing from their front end system. Taking this approach allows for distribution of customer information throughout the company.

Customer Intimacy

The Value Discipline Model was developed to help organizations define and understand how they want customers to value them as a company. According to this model organizations need to be competent in three disciplines to remain competitive. In order to be a market leader, organizations must excel at one of the three disciplines:

1. Customer Intimacy
2. Operational Efficiency
3. Product Leadership

Respondents were asked how they prioritize these three disciplines. 85% of respondents indicated that customer intimacy was in their top two of the three disciplines with a majority choosing customer intimacy as their top priority.

The benefits of greater customer intimacy include improved highly-tailored problem-solving capabilities, greater adaptation of products to customer needs, and higher customer loyalty levels.

Of the tools being leveraged to drive this initiative, CRM systems are far and away the leader in how to achieve this initiative. Over 75% of respondents indicate this is a tool they use in the pursuit of customer intimacy. A distant second is leveraging Big Data to get to know the customer. Social media and mobile channels trail as far as tools leveraged to date based on customer respondents, but will this be the case in 5 or even 2 years?.

Respondents were asked which tools they leverage to achieve the following functions:

Business Functions	Leader	Runner Up	Laggards
Outbound marketing offers	CRM	Big Data & Social Media	BPM
Part of Know Your Customer (KYC)	CRM	Big Data	Social Media & Mobile Channels
Factor in transaction pricing	CRM	BPM	Social Media & Mobile Channels

Business Functions	Leader	Runner Up	Laggards
Factor in credit scoring?	Big Data & BPM	CRM	Mobile Channels
Input into the overall credit evaluation process?	CRM	Big Data	Mobile Channels
Collection purposes?	CRM & BPM	Big Data & Social Media	Mobile Channels
Asset management / marketing purpose	CRM	BPM	Social Media

CRM and Big Data are the primary tools in use to drive customer relationships at the moment.

Notable observations support what companies initially stated – that CRM & Big Data are the primary tools in use to drive customer relationships at the moment.

▪ CRM leads in 6 of the 7 business functions and is a close second in the remaining function

▪ Big Data places second in 4 of 7 functions and leads in one area

▪ Social Media & Mobile Channels are consistent laggards to date

Despite mobile channels and capabilities lagging behind in the above summary, this could be an area to keep an eye on. At the moment 44% of respondents have reported that mobile capabilities as a whole are missing from their front-end solution. It is also being reported that 40% of respondents plan to provide these capabilities in the future. As this feature becomes readily available it is likely that mobile channels and social media will become more relied upon in terms of customer relations.

Offering More to the Customer

With demanding customers, the trend to bring best in class service capabilities will only increase in the coming years as the industry continues to leverage new technology and information.

Today's customer wants and needs more information at their fingertips. They want more control within the systems to perform specific functions. For example, customers want to be able to get their documents without having to go through a service representative. Customers also require access to their information, in particular the asset management information from the organizations they do business with. The demands are ever increasing and not going away. The challenge faced today by many organizations is how to keep up with these customer demands. Last year we reported that online execution of documents and online payment capabilities were two of the most reported items missing which customers demanded. This year those continue to be the dominant items reported as missing, with both increasing by 10%.

Obviously, organizations are faced with the challenges of providing this information to their customers. Resourcing is a major barrier for organizations to keep up with the demands of the customer. The financial cost is also a struggle for most organizations. However, the major challenge for 75% of the organizations is competing priorities. Organizations and their resources, human and technological, are just too busy to keep up with the demands of their customers.

What the Future Holds

With the high demands of the customer, what are organizations doing?

Unfortunately, the answer may be that organizations are just starting to figure this out. Of the organizations surveyed, 38% have only a partial view into their customer information while 42% are in the planning phase to look into their customer information. Only 48% of the organizations reported that integration into a CRM system is one of the top 3 missing or highly deficient features in the front-end system. Companies on average have been using their back end system for almost 13 years and the front end system for just a hair under 10 years. Both of these figures have increased year after year, which indicates systems have not been replaced en masse in the industry. CRM systems were the youngest system in their landscape, being in use for less than 5 years.

How do you plan for the future or is there a plan already in place?

Top organizations are still in the process of enabling capabilities to deliver best in class service to their customers. The survey showed a minority of respondents (8%) having a 360-degree view of the customer across their organization, and a robust web enabled customer self-service channel capability that is fully enabled (17%). However, in each case the respondents indicated a desire to implement such capabilities in the future-- 79% and 67% respectively. With demanding customers, the trend to bring best in class service capabilities will only increase in the coming years as the industry continues to leverage new technology and information.

7. Technology Trends 2016 versus 2015

The majority of equipment finance companies are consistently beginner or conservative adopters across all of these technologies, which suggests that there are significant opportunities for further adoption to gain a competitive advantage within the market.

In 2015, we saw technology trends across the globe expanding further as they related to Social, Mobile, Analytics and Cloud (SMAC) as well as the Internet of things. That being said, the rate of adoption of a number of these technologies in the equipment finance industry lagged in comparison to other industries, including the broader financial services industry. Companies in the equipment finance industry had reported that initiatives around enabling or enhancing these capabilities were non-existent or in the very early stages.
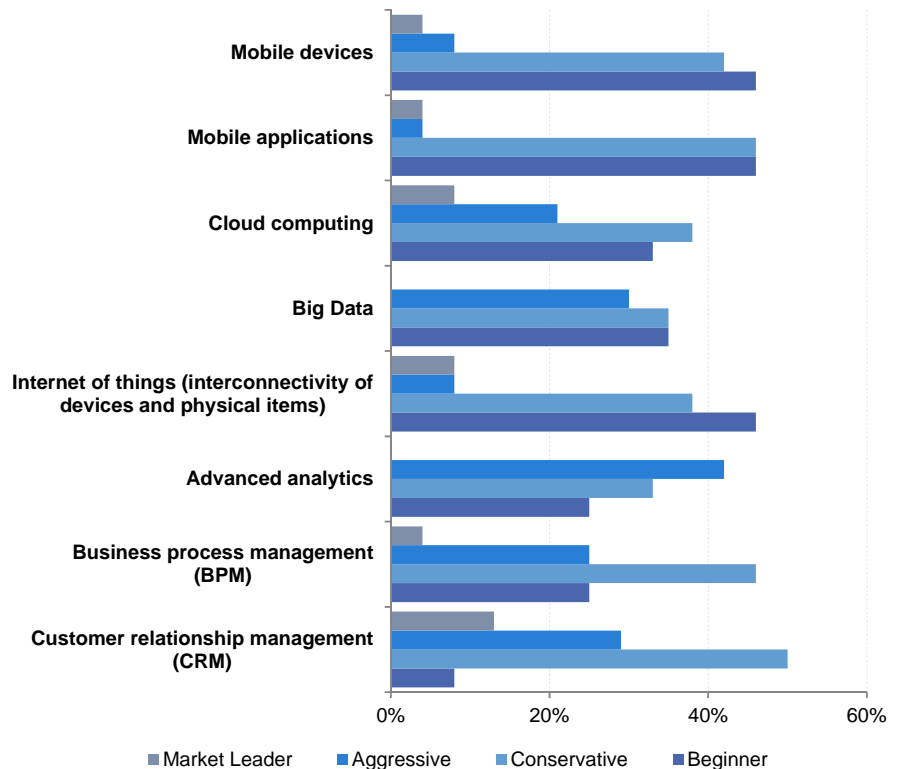
Our data in 2016 suggests that a similar trend continues when looking at the adoption of these emerging technologies by equipment finance companies across the technology adoption lifecycle:

As you can see, the majority of equipment finance companies are consistently beginner or conservative adopters across all of these technologies, which suggests that there are significant opportunities for further adoption to gain a competitive advantage within the market.

It almost goes without saying that companies in the industry continue to face challenges in upgrading aging, legacy technology for both front and back office platforms. This challenge often has its roots in the migration of the data or processes to new technology for various reasons including poor documentation, performance issues, sheer volume of data, and lack of resources who are knowledgeable in the systems.

In addition, the total cost of ownership (TCO) of running these applications includes hitting margins and losing market share if they are unable to manage their transactional costs. Even for those with new technologies, they are often still tied to legacy banking or other internal platforms in their information technology ecosystems that require human intervention to re-key data or update additional systems manually as a no-value add process.

An opportunity we see on we see on the horizon to help address some of the key challenges mentioned above is the use of robotic process automation (RPA). Automation technology innovation is the application of technology that allows firms to configure software (also known as a "robot") to capture and interpret existing applications for processing a transaction, manipulating data, triggering responses and communicating with other digital systems. As such, RPA is a technology that potentially could have a significant impact on the equipment finance industry.

8. Capgemini Point of View

Customer intimacy will not just be driven by one front-end or one back-end or one CRM platform. It will likely be driven by a portfolio of solutions

Digital transformation and innovation in the equipment industry has evolved from a keen focus a few years back on front-end platforms to a shift in more recent years to also replacing back-end systems. Our findings suggest that these both continue to be a primary focus for organizations, particularly given the average life in use of these systems continues to lengthen.

In line with these continuing trends, our view is that equipment finance companies need to consider their approach to evaluating and selecting software and service providers. The traditional RFP approach doesn't always cut it and more learning needs to be brought forward in the process so sound decisions can be made. A more agile approach may prove to be a better solution, yielding better results in the long term for implementing your digital strategy.

In our prior report, we suggested that companies that leverage a sound digital strategy and approach across the board will gain significant competitive advantage and ultimately drive operational efficiencies and better financial results. A sound digital strategy and approach will clearly drive the operational excellence value discipline for equipment finance companies.

Based on our survey research, we also see significant opportunities for companies in the equipment finance industry to further develop and enhance capabilities around driving customer intimacy to ensure they are competitive in the market, as well as those seeking market leadership.

With 58% of our survey respondents reporting that customer intimacy is the priority as a value discipline within their organization, processes and systems to drive customer intimacy most definitely need to be considered.

Customer intimacy will not just be driven by one front-end or one back-end or one CRM platform. It will likely be driven by a portfolio of solutions. These solutions will need to include systems, processes, and tools, some of which will be transformational in nature and some tactical.

Without question, we see the key drivers of customer intimacy have been and will continue to be CRM and Big Data. However equipment finance companies will need to consider enhancing their capabilities around these drivers as well as social media and mobile channels to communicate with their customers and BPM to drive customer facing processes if they want to be true market leaders.

9. BTPI Survey Response Statistics

The following section of the report provides summary response to the 2016/2017 BTPI survey. Since respondents did not always provide information for each question, each table in the survey may have a different number of respondents.

Profile of 2016/2017 BTPI Survey Respondents

	Response Percent
Bank	37.5%
Captive	18.8%
Independent, Financial Services	43.8%

	Response Percent
Micro Ticket	6.3%
Small Ticket	53.1%
Mid Ticket	37.5%
Large Ticket	3.1%

Ratings of Current IT and Operations Capabilities

The following thirteen (13) questions (4a. through 4m.) focus on the respondents' rating of internal capabilities in terms of IT and Operational abilities. The respondents were asked to rate each area based on the following maturity definitions:

Initial	Ad-hoc processes. Systems not industry standard and do not cover the entire leasing lifecycle. Widespread use of Excel and stand-alone, non-integrated systems and tools.
Repeatable	Core processes established, although inefficient. Duplication of data entry prevalent. Core systems integration with supporting systems is non-existent or poorly executed. Front-end and back-end platforms have limited interface. Reporting is manual and ad-hoc. Organization is dependent on good people, not good processes and systems.
Defined	Processes are documented, standardized and well integrated with core systems. Some consideration of processes and systems is given prior to new market entry or new program development. Workflow drives processes. Two-way integration between front-end and back-end platforms. Partners are linked in through the web for new business origination.

Managed	KPIs and metrics established for processes. Systems and processes drive financial offerings. Web presence extends to partners and customers and covers a wide range of front-end and back-end capabilities. Manual data entry is minimized or outsourced, focusing internal resources on analysis and customer serving activities.
Optimizing	Continuous processes improvement. Processes and systems have become a competitive advantage for business. Financial products are highly integrated with processes and systems and some aspects of them are difficult to duplicate by competitors. Customers and markets drive system investments.

4a. How would you rate your company's customer relationship management (CRM) capabilities?

Rating	Percentage of Respondents
Initial	4%
Repeatable	43%
Defined	21%
Managed	11%
Optimizing	18%
Not Applicable	4%

4b. How would you rate your company's new business processing capabilities?

Rating	Percentage of Respondents
Initial	4%
Repeatable	7%
Defined	39%
Managed	25%
Optimizing	25%
Not Applicable	0%

4c. How would you rate your company's back-end portfolio servicing capabilities?

Rating	Percentage of Respondents
Initial	0%
Repeatable	11%
Defined	39%
Managed	32%
Optimizing	11%
Not Applicable	0%

4d. How would you rate your company's collections and customer service capabilities?

Rating	Percentage of Respondents
Initial	4%
Repeatable	11%
Defined	43%
Managed	32%
Optimizing	11%
Not Applicable	0%

4e. How would you rate your company's customer self service capabilities

Rating	Percentage of Respondents
Initial	22%
Repeatable	33%
Defined	19%
Managed	7%
Optimizing	7%
Not Applicable	11%

4f. How would you rate your company's customer and partner mobile capabilities?

Rating	Percentage of Respondents
Initial	29%
Repeatable	11%
Defined	25%
Managed	4%
Optimizing	7%
Not Applicable	25%

4g. How would you rate your company's core accounting (general ledger, accounts payable, payroll) capabilities?

Rating	Percentage of Respondents
Initial	0%
Repeatable	11%
Defined	43%
Managed	32%
Optimizing	14%
Not Applicable	0%

4h. How would you rate your company's business intelligence / reporting capabilities?

Rating	Percentage of Respondents
Initial	11%
Repeatable	29%
Defined	32%
Managed	7%
Optimizing	18%
Not Applicable	4%

4i. How would you rate your company's compliance and controls capabilities?

Rating	Percentage of Respondents
Initial	4%
Repeatable	7%
Defined	46%
Managed	21%
Optimizing	21%
Not Applicable	0%

4j. How would you rate your company's enterprise risk management abilities; liquidity, operations, credit, residual value, reputation, and market risk?

Rating	Percentage of Respondents
Initial	7%
Repeatable	21%
Defined	25%
Managed	18%
Optimizing	25%
Not Applicable	4%

4k. How would you rate your company's cloud technology capabilities?

Rating	Percentage of Respondents
Initial	32%
Repeatable	11%
Defined	11%
Managed	7%
Optimizing	11%
Not Applicable	29%

4l. How would you rate your company's integration of systems (internal and/or 3rd party)?

Rating	Percentage of Respondents
Initial	4%
Repeatable	14%
Defined	57%
Managed	7%
Optimizing	14%
Not Applicable	4%

4m. How would you rate your company's partner portal capabilities?

Rating	Percentage of Respondents
Initial	7%
Repeatable	18%
Defined	43%
Managed	7%
Optimizing	4%
Not Applicable	21%

5. **Please identify the top 3 key IT related initiatives you will undertake within the next 18 months:**

Service	Percent (%)
Front end (originations) system replacement	35%
Business intelligence improvements	35%
Electronic signature solutions	31%
Back end (servicing) system replacement	27%
Integration of systems (internal and/or 3rd party)	27%
Consolidate multiple front end platforms	19%

Service	Percent (%)
Build or improve systems integrations	19%
Process efficiency improvement initiative	19%
360-degree view of customer / CRM	15%
Consolidate multiple back end platforms	15%
Business Process Management (automation of workflow)	15%
Customer self-service (including web, mobile, phone, etc.)	12%
Compliance improvement initiatives	12%
Portal for partners	8%
Risk management initiatives focused on Credit, Residual Value, Liquidity or Interest rate risk	8%
Buy or build business specific applications	4%

6. **The Value Discipline Model" was developed by Michael Treacy and Fred Wiersema as a strategic tool for organizations to define and understand what they want customers to value them for as a company. The model refers to the following three specific disciplines:**

Customer Intimacy	Segmenting/targeting markets and tailoring offerings to match exact demands of those niche markets. Companies that excel in customer intimacy combine detailed customer knowledge with operational flexibility so they can respond quickly to almost any customer need
Operational Efficiency	Operational process and customer service excellence delivered to customers at the lowest possible price. Companies that excel in this area efficiently manage people, processes and transactions and effectively measure quality and cost.
Product Leadership	Market-leading products and a high degree of innovation. Companies that excel in product leadership create and deliver cutting edge products which are highly valued by customers.

According to the model and in order for organizations to remain competitive, they need to be competent in all of these disciplines. In order to be a market leader, organizations must excel at one of the three disciplines. How would you rank how your organization views the following value disciplines in relative order of priority: (Select 1, 2 & 3)?

| Answer Options	1	2	3
Customer Intimacy	58%	31%	12%
Operational Efficiency	27%	42%	31%
Product Leadership	15%	27%	58%

7. How much information does your organization generally have about your customers?

| Answer Options	Percentage
Low – We collect a bare minimum of customer information to process a transaction	19%
Medium – We gather detailed customer information that is not segmented into targeted markets	46%
High – We have a full and detailed 360-degree view of our customers that is segmented into targeted markets	35%

8. Which of the following tools are used today to drive customer intimacy for your organization? Please select all that apply

Answer Options	Percentage
Big Data	35%
Business Process Management Solution (BPM)	19%
Customer Relationship Management (CRM)	77%
Mobile channels	23%
Social media	15%
None of the Above	23%

9. For each of the following business functions, how do you use the information gathered utilizing the identified tools? Please select all that apply
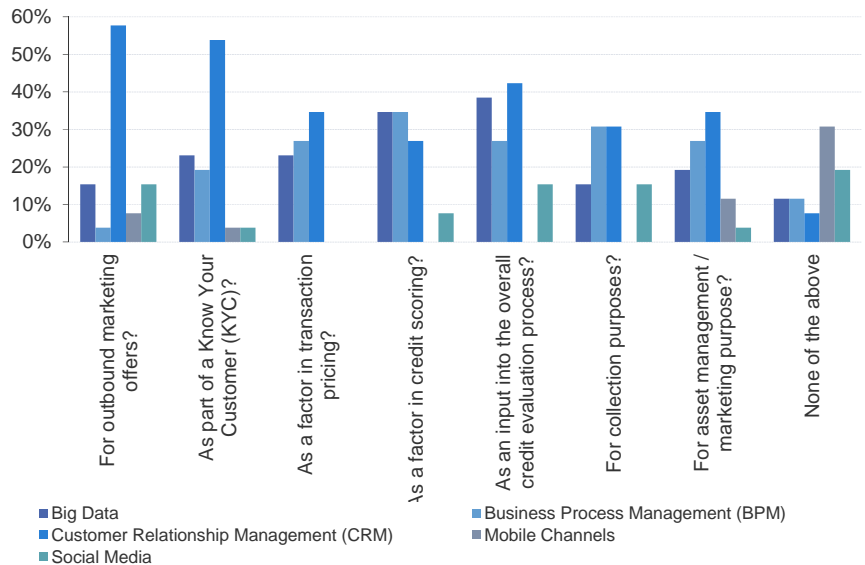
10. There has been a constant movement to deliver IT projects and solutions faster in order to reduce time to market. Which of the following do you leverage as tools to deliver IT projects and solutions faster?

Legend: ■ Always ■ Sometimes ■ Never
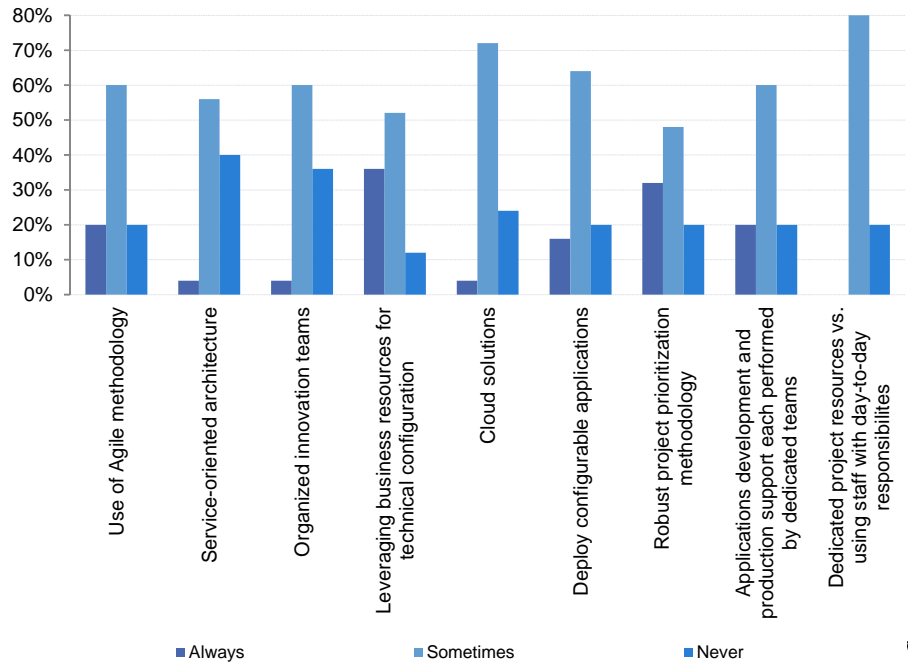
11. Number of years using front-end system	
Average	10.3

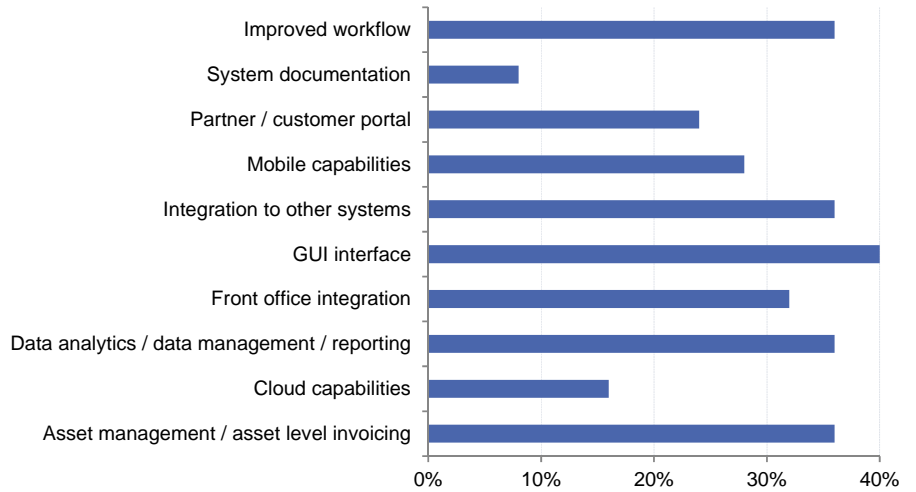**12. Please identify the top 3 features missing or most highly deficient in your front-end systems**
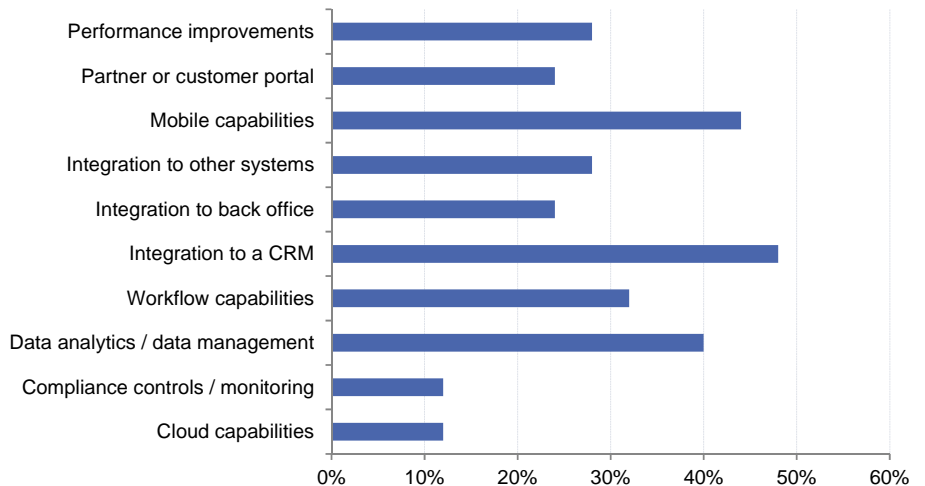

13. Number of years using back-end system	
Average	12.8

14. Number of years using core CRM (Customer Relationship Management) system application	
Average	4.7

15. Please identify the top 3 features missing or highly deficient in your back-end systems

16. Please specify your level of agreement or disagreement with the following statements as they pertain to your organization
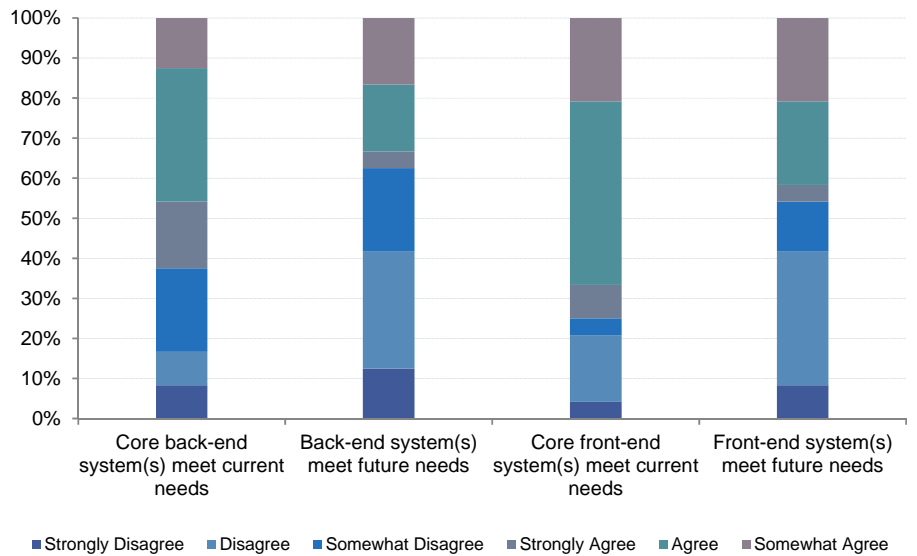
17. For your core, front-end origination and back-end servicing system applications, your company preference tends toward: Select only one response
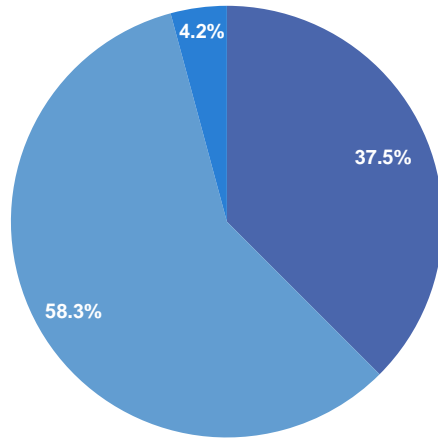

- Purchasing an enterprise wide, package based solution from a single vendor

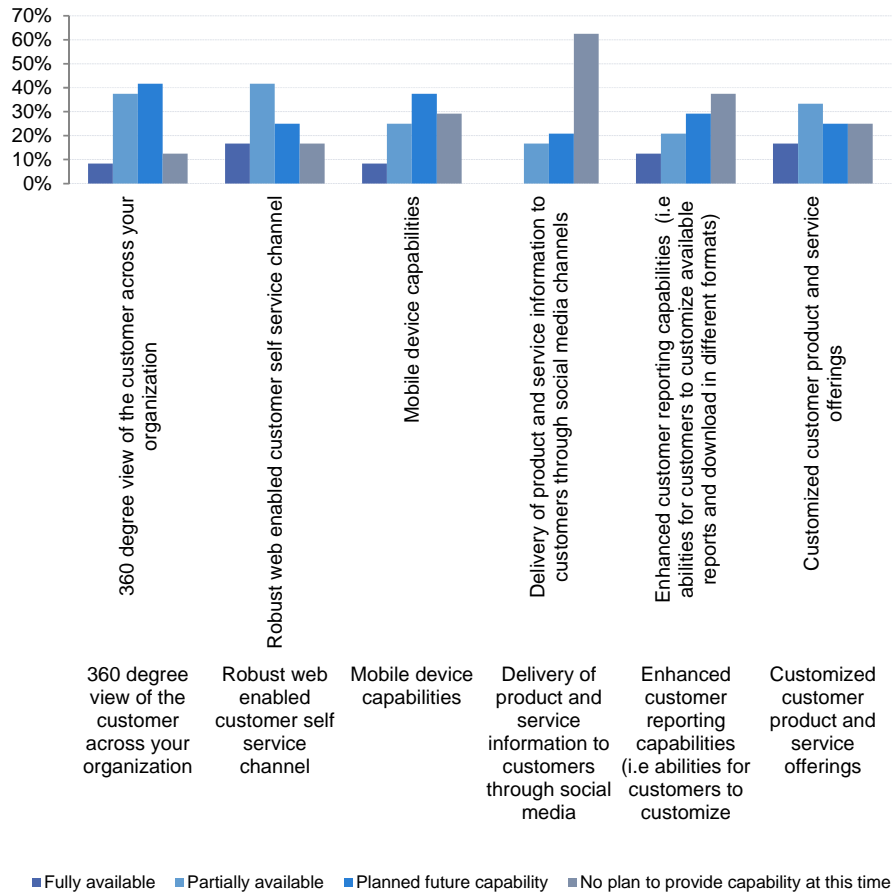- Purchasing best of breed package based solutions from multiple solution providers

18. What are the top 3 offerings/capabilities that your customers are demanding but you are unable to provide at this time:
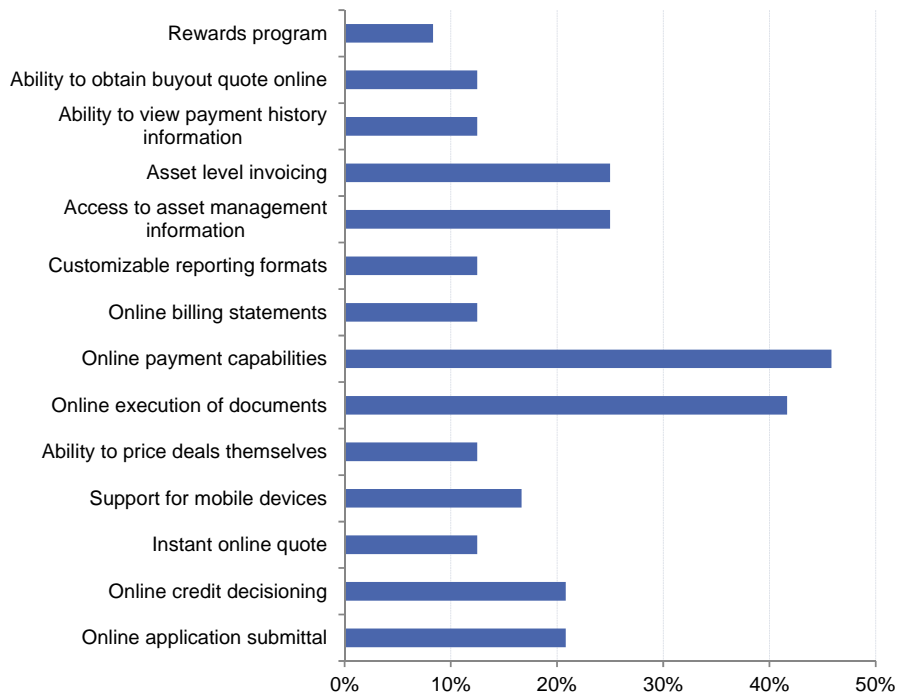
19. What barriers are you encountering in fully providing these offerings to your customers? Please select all that apply
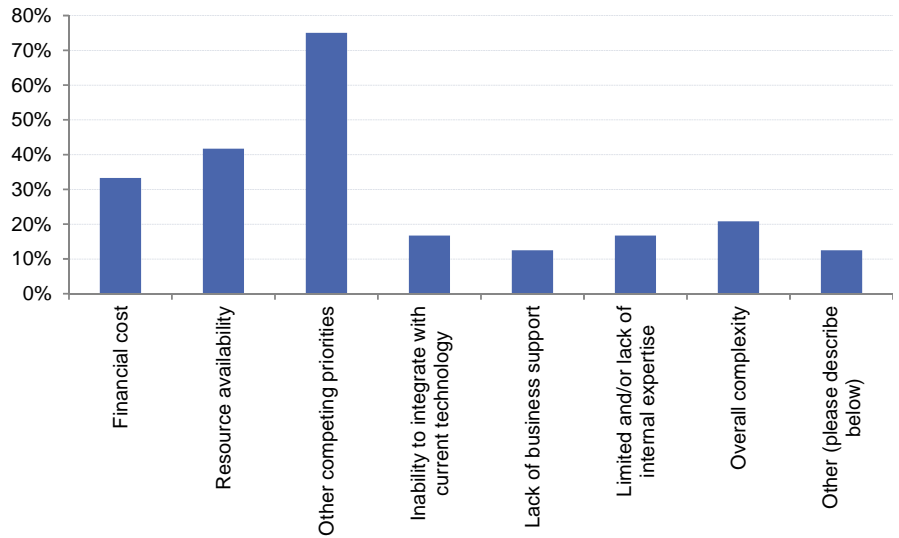

20. Top organizations in financial services have enabled certain capabilities in order to deliver "best in class" service to their customers. Please identify your current delivery capability for each of the following:

■ Fully available   ■ Partially available   ■ Planned future capability   ■ No plan to provide capability at this time

21. Where does your organization fall on the technology adoption life-cycle for the following digital initiatives?
Market Leader: Companies that have executives that share a strong vision for what new technologies bring, invest in and manage digital technology

Legend: ■ Market Leader ■ Aggressive ■ Conservative ■ Beginner
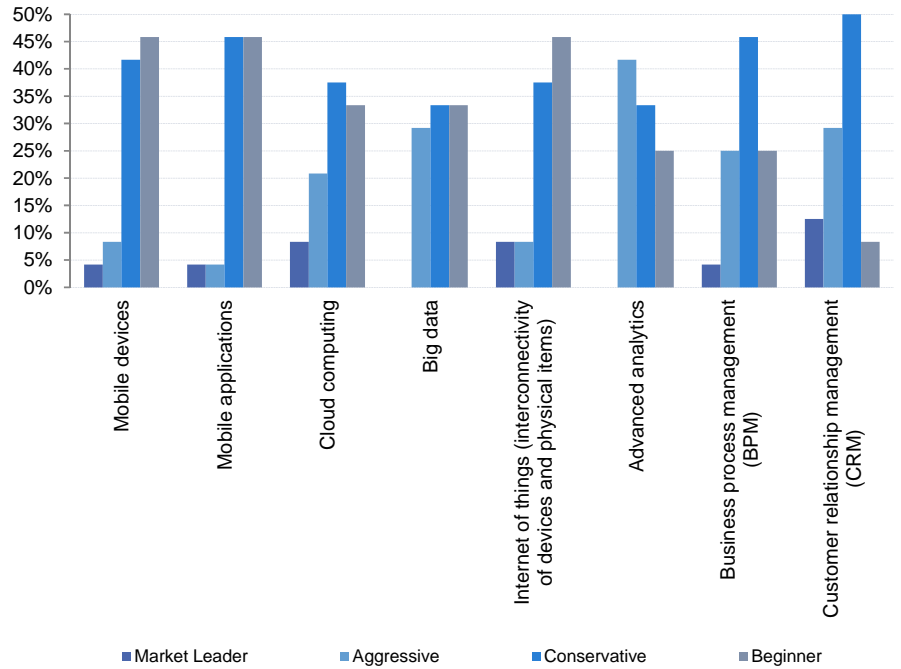
10. About the Report

The 2016/2017 BTPI is the latest report in a series of publications on business trends, systems, and technology available through the Equipment Leasing and Finance Association (ELFA) and Capgemini. Focusing specifically on trends in technology and operations and the adoption of these trends, the BTPI serves as the equipment finance industry's benchmark for information technology, operations direction, and spending in both areas.

Presented in the report are a summary of BTPI survey responses and a discussion of key findings. Also provided are insights into the continuing evolution of technology in the equipment finance marketplace collected from outside research.

The BTPI was written and compiled by Capgemini during the period August through October 2016. It is based on industry research and responses from 33 participants representing bank, captive, and independent finance companies across a spectrum of ticket sizes, market approaches, and geographies. Most respondent companies are members of the ELFA. Other ELFA resources were also used to support the research, analysis, and conclusions found in this report.

Participation in the BTPI is voluntary and free of charge. All equipment finance companies were welcome to participate, and were invited to provide survey responses through an online survey. The report will be formally introduced at the 2016 EFLA Annual Convention in October and will be digitally available at: **www.capgemini.com/btpi**.

11. About the Authors

Authors of the 2016/2017 BTPI are members of Capgemini's Banking and Diversified Financials practice. This group focuses on the equipment leasing and finance market, working daily with companies to help them create more efficient and profitable operations. With more than 180,000 people in over 40 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services, reporting 2015 global revenues of €11.915 billion.

The authors would like to thank all participating companies and Capgemini associates who assisted with this report and particularly **Srikanth Iyengar** of Capgemini for his insightful case study. They would also like to acknowledge and thank **Ralph Petta, Bill Choi**, and **Amy Vogt** of the ELFA for their contributions to this year's report. They were instrumental in ensuring that this effort receives appropriate coverage, exposure and industry participation.

Steve Byrnes is a Principal in Capgemini's Financial Services Strategic Business Unit, and a subject matter leader for Capgemini's Banking and Diversified Financials practice. His professional experience includes more than 30 years of direct employment in, and consulting to, the equipment finance industry. He is a results-oriented leader who uses his finance, operations, and technology background to assist companies with transformational initiatives that range from business and IT strategy and organization assessment, through the implementation of systems and processes required to execute those strategies. Steve holds a Master of Banking and Finance from Hofstra University and a B.B.A. in Accounting from Dowling College.

Michael Donnary is a Principal in Capgemini's Financial Services Strategic Business Unit, and a leader of the Banking and Diversified Financials practice covering asset, auto, banking, and captive finance. From our Chicago office, Michael has major client delivery and industry domain responsibilities for the practice. He has more than 18 years of experience consulting to the asset and captive finance industry. He is a past chair of the Equipment Leasing and Finance Association Operations and Technology Committee, a regular industry speaker, the author of numerous industry articles, and holds a degree in Business from Northern Illinois University.

Jeff Boots is a Senior Manager in Capgemini's Financial Services Strategic Business Unit, and a subject matter specialist in US and International business processes and project delivery in the Banking and Diversified Financials practice. Jeff has worked with technology solution providers and industry clients for the past 17 years, working and living in the US and Europe. He received a BA in Business and Computer Science from Concordia College in Minnesota.

Christine Williams is a Senior Manager in Capgemini's Financial Services Strategic Business Unit, and a subject matter specialist in lease and loan accounting in the Banking and Diversified Financials practice. She brings more than 20 years of leasing industry and consulting experience having worked with some of the world's largest financial services companies both domestically and internationally. She has authored a number of industry publications and been a speaker at a number of vendor conferences. She received her education at the University of Minnesota, is a CPA (inactive MN) and CPPM.

Michael Baez is a Delivery Manager in Capgemini's Financial Services Strategic Business Unit, and a subject matter specialist in credit risk and business process re-engineering. For over 30 years, he has worked extensively in the financial services industry with global experience in asset finance, credit risk, corporate treasury, cash and wealth management, process and risk management, operations, and technology. He holds both an MBA in Finance and a BA in Economics from Long Island University. He has served as the Capgemini liaison to the ELFA since 2014.

Josh Bridge is a Delivery Manager in Capgemini's Financial Services Strategic Business Unit, and a subject matter specialist in the originations process. For the past decade, he has worked in the equipment finance industry and with an extensive number of diversified finance clients to help deliver complex business and technology projects. He is a former member of ELFA's Service Provider Committee, and former member of ELFA's FLL Committee

Theresa Eichten is a Delivery Manager in Capgemini's Financial Services Strategic Business Unit, and a Business Systems Analyst with over 15 years of experience in the US, APAC, and EMEA markets. She has extensive experience with financial software products within the leasing and asset finance industry as an Implementation Consultant. She received her education at the University of Minnesota and is a PMP.

Annette Maxwell is a Delivery Manager in Capgemini's Financial Services Strategic Business Unit, and a subject matter expert in the Core Banking, Originations processes. She has over 13 years of experience in the financial industry delivering complex projects and systems in both the core banking and diversified finance domain. She also has extensive experience in program management and project delivery for global projects. She received her undergraduate degree from Simon Fraser University in Canada.

Bryan Parfitt is a Delivery Manager in Capgemini's Financial Services Strategic Business Unit, and subject matter specialist in complex business analysis in diversified finance, technology platforms, and credit risk. For the past 11 years with Capgemini, he has been a part of many diverse projects within the financial services industry offering consulting services and project management on implementations (front and back office), process redesign, mergers and acquisitions, and system selection among many other project in the U.S. and Canada. He has a BA in Business Administration and Political Science from the University of Florida.

Sandra Brittijn is a Lead Consultant in Capgemini's Financial Services Strategic Business Unit, and subject matter specialist in the areas of change and business process management, project management, as well as business analysis. She has strong global experience having worked on various large-scale international projects across the Netherlands, Canada, and the US. For the past ten years with Capgemini, she has held project delivery lead roles for a large number of banking and captive finance clients in the domains of core banking, diversified finance, payments, and cards. She has a Master's degree in International Business Administration from Erasmus University in Rotterdam, the Netherlands

Jason DePew is a Lead Consultant in Capgemini's Financial Services Global Business Unit, and a subject matter specialist in business process re-engineering and project delivery in the Banking and Diversified Financials practice. Jason has worked in the financial services industry for over a decade with experience in asset finance, process and risk management. He holds a BS in Business Administration from Waynesburg College.

Shanty Singh is a Lead Consultant in Capgemini's Financial Services Strategic Business Unit, and subject matter specialist in BPM, core banking, payments and credit management. For the past eight years with Capgemini, he has worked with a broad set of international banking and diversified finance clients in global delivery roles and acts as a BPM facilitator to new hires. In his 15 years of experience, he has fulfilled project delivery lead roles in Europe, North America and the Middle East.
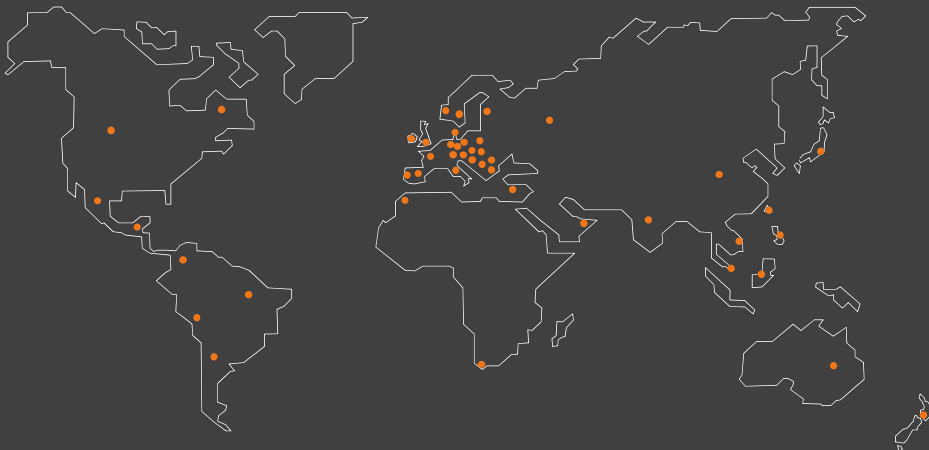
Tejas Sirsat is a Senior Consultant in Capgemini's Financial Services Strategic Business Unit, and a subject matter specialist in business process re-engineering, complex business analysis, and project delivery in the Banking and Diversified Financials practice. He has worked with technology solution providers, and industry clients for the past 18 years with experience in credit risk, asset finance, and process and risk management. He holds a Masters in Information Science from Penn State University

About Capgemini

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Together with its clients, Capgemini creates and delivers business, technology and digital solutions that fit their needs, enabling them to achieve innovation and competitiveness. A deeply multicultural organization, Capgemini has developed its own way of working, **the Collaborative Business Experience™**, and draws on **Rightshore®**, its worldwide delivery model.

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