

Exploring the key levers for growth in equipment finance.

A Genpact report

GENPACT
GENERATING IMPACT™



**Seizing the initiative
through equipment
finance transformation**

How would you reduce
operating costs by
30%

while accelerating
growth by
6–8%?

How can
standardization
improve margins?

How can you
differentiate in a
fiercely competitive
market?

How can you
grow efficiently
with your
customers?

Equipment financiers must balance growth and operational streamlining. Finding the optimal balance lies in a target operating model: one that blends customer service, risk management, and collections processes while remaining both scalable and agile.

The following insights examine how smarter operating models, intelligent customer analytics, process transformation and agile technology can help add value, mitigate pressure on margins and drive growth through diversification.

How can *standardization* improve margins?



Standardization is the greatest lever for large global lessors to drive competitive pricing, but standardizing isn't always easy.



Competition is increasing as bigger lessors, banks and more agile local players fight for market share. Combined with a growing regulatory burden, this competition is stressing corporate structures and cost models to breaking point.

Responses to this challenge should focus on standardizing technology platforms, process transformation and redefining operating models.

Solutions that can help deliver the biggest returns:

- Automating and standardizing the middle and back office can help equipment finance companies cut costs significantly
- Core system replacement or enhancement and business process standardization contribute equally to the overall cost reduction and improve the effectiveness of outcomes
- By embedding analytics into the deal lifecycle, equipment financiers can make smarter business decisions across the originations, risk, portfolio management, and collections functions

What are the key benefits?

For large global lessors, process and technology standardization can reduce operating costs by 30% or more, enabling lessors to grow market share through more competitive pricing.

For example...

A leading equipment financier received over 50% of payments as checks, which were then auto-applied using an algorithm. Although the auto-application logic was well built, it still resulted in a 15% rejection rate, inefficiencies, additional costs and controllership issues.

Genpact leveraged lean, six sigma process improvement techniques to yield higher auto cash application rates, resulting in \$96 million in cash annually through automated processing.

How can you *differentiate* in a fiercely competitive market?

While the overall industry is growing, high liquidity and a competitive environment are putting pressure on lessors to drive growth.

Lessors are pursuing growth through a diversified product mix. They are also optimizing originations and credit processes, and introducing technology that engages customers in account management and invoice generation. New disruptive players are reframing services and employing smarter technology while alternate lending models, such as peer-to-peer, are gaining ground.

Solutions that can help deliver the biggest returns

- Implementing an integrated and scalable framework for managing operations can break down organizational silos and allows business leaders to focus more on revenue generation
- Defining specific business outcomes, such as deal conversion, cycle times to approve/fund, delinquency charge-offs, and customer satisfaction as part of the operating model offers a distinct competitive advantage

What are the key benefits?

Genpact's Smart Enterprise ProcessesSM can help increase originations by up to 10% by revamping origination processes through smarter operations, straight-through processing and risk analytics.

For example...

A global bank had inefficiencies in its origination process, leading to greater deal attrition, lower deal conversion rates, and higher operational costs due to customer dissatisfaction. By standardizing the processes across the end-to-end originations cycle through an integrated operating model, the deal conversion rate improved by 15% and the firm saw a \$100 million increase in originations.

How can you *grow efficiently* with your customers?

Progressive lessors and OEMs are finding new and creative ways to meet their customers' growing demand.

OEMs are growing by accessing customers in new geographies, with lessors following suit and looking to create value for OEMs and their customers. Lessors are also finding opportunities in the move toward more usage-based, pay-as-you-go models.

Solutions that can help deliver the biggest returns:

- A Business Process as a Service (BPaaS) model can leverage the most advanced technology platforms and limit upfront investment
- Leasing and lending experts with global experience can deliver a globalization strategy to continue to drive competitiveness while also managing risk
- A quickly deployable and easily scalable solution with a variable cost model enables a measured entry into markets with volatile demand and regulatory environments

What are the key benefits?

Reduce set-up costs by 50% or more by working with a global partner experienced in managing exposure to risks and with a proven record of successfully establishing global delivery centers.

For example...

With the global economy returning to growth, the financial arm of a leading equipment manufacturer needed to quickly deploy new cost-effective, end-to-end leasing operations to accommodate growing demand.

Genpact deployed a holistic BPaaS operating model in just 90 days, creating a globally scalable leasing operation and an innovative operating model. The result was a 50% cost saving over alternate solutions.

In action: Standardizing a commercial financier's operations improves originations, servicing and collections metrics while cutting annual costs by \$60 million



Business need addressed

Acquisitions across the commercial finance division led to a complicated network of systems and locations with no standardized performance metrics. The goal was to reduce the number of legacy systems, consolidate operations into a single delivery center and improve booking accuracy in order to decrease rework and mitigate the risk of downstream losses.

Genpact solution

The plan redesigned the technologies used by each business line, and consolidated the processes into a unified operating model. Existing platforms were migrated to a single commercial banking system while a centralized operating model was implemented for clear and transparent process metrics.

Business impact

The center of excellence structure applied across the commercial finance operations enabled the group to be more competitive through significant process improvements and a \$60 million reduction in annual costs. In addition, the key functions achieved the following:

- **Origination** – Cash and booking accuracy rose above 95% through clear workflows, simplified documentation, and a strong audit mechanism
- **Servicing** – Unapplied cash was reduced by more than \$80 million using specialized research tools and a time-bound resolution matrix
- **Collections** – Greater than 30 day delinquencies dropped to less than 2% through collection analytics that enabled the team to transform the collections process

Our reimagined, scalable operating models for equipment finance clients are supported by a ready-to-deploy operations capability across 70 delivery locations globally.

We service over \$200 billion of assets, with over 17 years of experience working with asset financiers.

We would welcome the opportunity to talk you through examples of best practice and case studies that illustrate the potential to achieve impressive cost, efficiency and growth objectives.

In the meantime, please take a look at genpact.com/commercial-banking for more information on Genpact and our experience in the equipment finance sector.

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About Genpact

Genpact (NYSE: G) stands for “generating business impact”. We architect the Lean DigitalSM enterprise through a unique approach based on our patented Smart Enterprise Processes (SEPSM) framework that reimagines our clients’ middle and back offices to generate growth, cost efficiency, and business agility. Our hundreds of long-term clients include more than one-fourth of the Fortune Global 500. We have grown to over 70,000 people in 25 countries, with key management and a corporate office in New York City. We believe we are able to generate impact quickly and power Intelligent OperationsSM for our clients because of our business domain expertise and experience running complex operations, driving our unbiased focus on what works and making technology-enabled transformation sustainable. Behind our passion for technology, process, and operational excellence is the heritage of a former General Electric division that has served GE businesses since 1998.

For additional information, visit www.genpact.com.

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