



ARTICLE

Bringing auto finance into the future

Customers demand simplified, digital-first process

Before ever walking into a car dealership, most potential buyers have already started their shopping process online, browsing or selecting cars and finance options. Auto dealers and lenders who don't have an effective digital strategy are automatically behind the curve. They will lose business to competitors who have developed advanced analytics and digital platforms to connect with customers at the right place with the right offer.

On the other hand, auto lenders who reimagine the customer journey through the originations process, with digital technologies underpinned by data analytics, can increase their volume of new business and improve efficiencies.

An environment of unprecedented change

The auto finance operating environment is changing faster than ever before. Digital adoption rates have affected most consumer-facing industries, and auto sales is no different. Customers are increasingly comfortable in digital environments, and most carry mobile devices with them wherever they go.

Some dealers and lenders were quick to adapt to digital environments, and as a result, traditional dealers must now fight online competition in addition to other local dealerships. Purely digital auto lenders have emerged, presenting another level of competition.

As this competition heats up, the pressure to generate more sales and to grow business is forcing auto finance lenders to rethink their strategic priorities.

Shifting focus

Traditionally, the auto sales and finance industry was focused on driving customers into the auto showroom, where salespeople and lenders could communicate with them face to face and - hopefully - make a sale. While that traditional model will continue to exist, driving customers into the brick-and-mortar location will not be the top priority for lenders who want to be successful into the future.

Lenders need to reimagine the auto lending lifecycle to compete and succeed in the new digital era. Their new priorities must include:

- **A customer's car-buying journey.** Customers have grown accustomed to digital information in other industries, such as telecom and banking products, and they now start their car buying journeys online. Some auto finance lenders are already offering critical components of this process online, such as car search and selection, credit approval, pricing, contracting, and engaging directly with lenders. But a customer's online experience needs to be seamless with the in-person experience at the dealership.

- **A quick and easy financing process.** Today's shoppers view an auto loan or lease simply as a method of payment: The car is the product they are focused on. For that reason, it's important to provide a financing process that is closely intertwined with the car buying process.
- **A simplified financing application process.** Many customers get frustrated and drop out of the financing process when they encounter a complicated finance application, multiple rounds of negotiation, tiring paperwork, and confusing add-on products. Instead, they want a quick and easy financing process and control over the experience, with the ability to search for specific monthly payments, get pre-approved online, and opt for electronic contracting.
- **An ability to leverage data and predict customer needs.** By doing business online, auto finance lenders can tap into rich data about the customer. Through proper data analysis, lenders can even predict customer needs. By ignoring the available data, lenders will lose out on repeat business and cross-selling opportunities.

Designing a new operating model

Understanding the new priorities for auto finance lending success is just the first step. To move forward in a changing environment, lenders must take action, combining a customer-centered operating model with advanced technology. Making a few tweaks to the current business model is an approach that's focused on the status quo. Instead, top performers must develop a new model focused on customers - and think about what they want to be ready for in the future.

Our experience shows that human-centric design thinking to reimagine the customer journey, together with a cutting-edge method to identify the potential transformation interventions of analytics and digital, can be a powerful combination. It's also a practical way forward for organizations to harness the revolutionary power of digital business in an agile way.

The elements that often generate customer satisfaction are not technically complex, highly expensive, or singularly focused on functional necessities. Instead, they clearly align with people's emotions. Simple tools can go a long way if they create transparency in the lending process and allow the customer to feel in control of the experience, such as by searching online for cars and financing rates, applying for financing online, and interacting with the lender before meeting in person.

Lean digital processes can help create a customer-centered environment and are an easy way to boost production volume.

Expand your pipeline with predictive analysis

A lender often sends a generic offer to an existing customer without considering their specific situation. But artificial intelligence (AI) can predict when that customer is likely to enter into a car buying cycle.

A company can predict when the customer will be looking for a new car by leveraging external databases, such as credit bureaus, social media, and online searches, and internal data, such as customer risk score, payment histories, and loan to value. By taking advantage of AI, a lender can expand their pipeline by 5% to 10%.

An intelligent predictive analysis program includes built-in risk-based pricing, so that each person can be given a customized offer. And by analyzing customer contact points and preferred mode of contact, lenders can reach out to customers with customized offers through an omnichannel strategy, including email, text messages, and online portals.

A large U.S. automaker, for instance, is using machine learning to enhance risk scoring. Meanwhile, better credit models are enabling the firm to provide seamless and personalized vehicle financing experience for customers, while also lowering the firm's credit losses.

Get in front of prospects before they visit the dealership

After generating interest with a prospect, what options do they have for applying for finance?

When customers shop for a car, they need information about two things: the car itself and how to finance it. While most will search online before entering the dealership, it's often difficult to find seamless information about both the car and the financing options. Many customers grow frustrated with the lack of pricing transparency, an inability to comparison shop, and a lack of personalization. A tighter online integration of information gathering for car buying and car financing can help move a consumer to the next stage of the purchasing process.

The solution is an interactive online interface embedded with AI. Customers want to take ownership of their experience, so they need access to financing forms online. This will move financing from an afterthought into a key part of the overall customer experience. The online experience must extend seamlessly into the dealership - for instance, by giving the customer access to terms and pricing details on their mobile app rather than having to rely on the dealer.

As an example, a leading European car manufacturer has embraced a "clicks and mortar" approach. The firm is investing heavily in digitally enabling its dealer network, with the objective to move the sales process online. With the new system, customers can complete 80% of the buying process online. The average number of dealer visits per purchase has also fallen from seven to one.

Gain efficiencies through workflow and machine learning

Traditional auto finance lenders typically drop many deals because they're slow in responding to the dealer.

That slow response is understandable, because the entire process, from lead generation to dealer disbursement, is disjointed. There may be multiple front-end systems, duplicate data entries, application resubmissions from dealers, long hold times to reach credit analysts, extensive manual interventions from credit and operations, and other issues that slow down the credit approval and disbursement process.

However, with technology advancements and the emergence of new digital portals, these inefficiencies don't have to continue. Lean digital solutions can eliminate the problems. For instance:

- A dynamic workflow connecting disjointed touch points, such as pricing, fraud check, and credit bureau, can reduce by up to 50% the approval time for cases going into manual review

- An AI-based underwriting algorithm can identify and learn from the patterns of action taken by credit analysts, improving auto decision rates by more than 15%
- Using computation linguistics and robotics, contracts can be automatically validated for information completeness. Key fields, such as dealer invoices, APR validation, and insurance details, can be automatically populated. These processes reduce manual intervention at the validation and booking stage by up to 70%

Rather than losing business to lenders, who are benefiting from the power of Lean digital processes, companies can compete by starting to reimagine the car buying experience. Digital and analytics interventions can drive new business volume growth and improve efficiencies at every stage of the process.

About Genpact

Genpact (NYSE: G) is a global professional services firm that makes business transformation real. We drive digital-led innovation and digitally-enabled intelligent operations for our clients, guided by our experience running thousands of processes for hundreds of Global Fortune 500 companies. We think with design, dream in digital, and solve problems with data and analytics. We obsess over operations and focus on the details - all 78,000+ of us. From New York to New Delhi and more than 20 countries in between, Genpact has the end-to-end expertise to connect every dot, reimagine every process, and reinvent companies' ways of working. We know that rethinking each step from start to finish will create better business outcomes. Whatever it is, we'll be there with you - putting data and digital to work to create bold, lasting results - because transformation happens here, at Genpact.com.

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