Benchmarking the Pace of Digitalization in the Asset Finance Industry

How Does Your Organization Stack Up?

Digitalization is a hot topic for the equipment leasing and asset finance industry. The subject of conferences and seminars and raised in numerous forums, digitalization is one of the main issues exercising the minds of C-level executives across the board.

The Alta Group, The Alta Group-EMEA (Invigors) and The Alta Group Latin America Region have conducted a survey of leading industry opinion aimed at assessing the status of digitalization in the industry. We spoke to over 50 C-level and senior executives including bank-owned lessors, independents, manufacturer captives and vehicle finance companies in the US, Canada, Europe and Latin America, covering 12 countries in all. These organizations also participated in an online questionnaire that provided a detailed understanding of the focus, scope and progress of their digitalization initiatives.

The resulting report, “Benchmarking the Pace of Digitalization in the Asset Finance Industry,” provides an important view of where our industry stands in this era of technological innovation.

Detailed analysis covering eight topics reveals how digitalization projects are chosen, which ones have been implemented, are planned to be implemented or are not on the radar, and the organizational culture necessary for both incremental and transformative change. The analysis includes the most common drivers and barriers to implementation of a digital business model and the resulting benefits realized by the survey participants important benchmarks to measure your own organization’s digital journey.

The Alta Group has developed a program that will allow you to benchmark your organization to the survey participants. A description of the offer can be found at the end of this summary.
Excerpts from the study:

Section 1 – Digital Strategies and Drivers for Digitalization

Asset finance companies embarking on the digitalization journey generally develop a dedicated strategy for that purpose. Over three-quarters (77%) of the organizations taking part in the study have a specific digital strategy.

Section 2 – Focus for Digitalization Initiatives

The benchmarking study checked whether a number of specific types of digitalization initiatives had been implemented or were planned by participating leasing organizations. These covered three areas:

- Customer experience
- Automation and social media
- Application of predictive analytics

The focus for digital initiatives reflected the priority of the drivers of digitalization. There is clearly a strong emphasis on investing in the front office and especially the customer relationship and experience while nearly half the organizations surveyed are in the process of digitalizing their sales and marketing functions. Digitalization was also being widely applied to streamline business processes and support process re-engineering, though for most this was still work in progress.

Section 3 – Implementation Approach and Development Methodologies

Implementing a digitalization strategy can take various forms and the benchmarking survey sought to determine which approaches were most widely adopted. A number of implementation strategies were explored with respondents, ranging from running digital pilots to partnering with fintechs.

The survey also sought to understand what development methodologies are being employed for digitalization initiatives. Agile methodologies have clearly been widely adopted, with over 80% of respondents reporting that these were used throughout their organizations.
Section 4 – Challenges and Constraints to Digitalization Implementation

Survey respondents were asked about the challenges faced in driving digitalization initiatives through their respective organizations. The constraints imposed by current legacy systems, in terms of their complexity and inflexibility, topped the list, being mentioned by 90% of those taking part in the survey.

Recruiting and retaining the right staff skills was the second most widely reported constraint, cited by 87% of those surveyed, followed by the challenges posed by re-engineering business processes, mentioned by 84%.

Section 5 – Digital Skills and Organizational Culture

Respondents were asked which skills they believed were most relevant to support digitalization. All those taking part in the survey considered business process transformation skills to be essential, while over 90% mentioned agile process management.

The survey also explored how well the culture of their organizations supported digitalization in terms of:

- Encouraging innovation
- Encouraging a positive attitude towards change
- Supporting an agile business
- Providing a platform for testing new ideas

Section 6 – Partners

Vendor/partner constraints were mentioned by nearly 70% of respondents as barriers to digitalization in their organizations. If the interests of vendors and partners are not aligned with those of the lessor, it will be difficult to drive digital initiatives that require the positive engagement of both parties.

There was a better perception of funders and securitization partners, though these were only applicable for 62% of the organizations represented. About 37% of respondents considered that these partners were well aligned from a digitalization perspective compared to 24% who felt they were not.

Section 7 – Technology

The benchmarking survey also explored how leasing organizations’ existing IT infrastructure supported digitalization initiatives. In particular it asked respondents whether the infrastructure enabled the business to:

- Respond in an agile way to changing market conditions and new competitors
- Gather data on all aspects of business and customers - analyze it to understand customer needs better and identify new opportunities
- Participate easily in a wider digital ecosystem either within the organization or with external partners through application programming interfaces (APIs), etc.
- Exploit new technologies such as artificial intelligence (AI), machine learning, chatbots, natural language processing, and blockchain.

Section 8 – Benefits of Digitalization

The benchmarking survey sought to identify what benefits organizations had realized from digitalization initiatives. A number of potential benefits were proposed, ranging from financial, such as improved margins or revenues, to better customer service or improved partner relationships.
It was interesting to note that digitalization appears to have had the widest impact on customer facing aspects of the business such as improving service and meeting customer expectations. Given the focus on the front office and customer experience for digital initiatives, this is not surprising. It was also notable that relatively few respondents reported that digitalization had significantly impacted business key performance indicators (KPIs), though it was apparent that many felt it was too soon to tell. Nonetheless, given that over half reported that their organizations had realized significant process efficiencies from digitalization, it would be expected that these would, at some point, be reflected in lower operational costs and improved cost/income ratios.

Conclusions

There are organizations that have recognized the disruptive nature of digitalization and have or are in the process of transforming their business models in substantive ways. However, the research suggests that these are in the minority. Many respondents who fully embrace the change to digital business models recognized that measured success will lead to more widespread adoption.

An Opportunity to Benchmark Your Organization

The Alta Group has developed a program that provides you with the opportunity to benchmark your organization to the 117+ survey questions and the accompanying qualitative assessments of the state of digitalization within our industry. The program includes:

- An introductory call with your team and the Alta consultants in your region who conducted the survey to review the program and the recommended process to maximize your organization’s value from the research
- A link to the survey allowing your organization to be included in the industry data and to benchmark your digitalization efforts
- A copy of the 25 page “Benchmarking the Pace of Digitalization in the Asset Finance Industry” report
- An analysis of your organization’s results compared to the survey participants
- A two-hour conference call with The Alta Group and your team to review your survey results and engage in a discussion of your digital journey
- As an alternative, Alta will coordinate and lead a ½ day “Digital Journey” workshop at your office location to review your benchmarking results and engage in a digital strategy discussion with your team
- Program cost: US $7,500

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