



# Business Technology Performance Index 2013



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## Preface

We are proud to present the **2013 Business Technology Performance Index** in collaboration with the ELFA.

The BTPI provides insight into the technology trends and forward-looking initiatives that Equipment Finance companies have begun, are anticipating, or have recently completed in efforts to drive their firms into new markets, new opportunities, and improved and more efficient operations.

The main objective of the BTPI is to help you understand the current thinking of market-leading Equipment Finance firms relative to decision processes associated with operations and technology initiatives. Along with insights into operations and technology trends, the report also reveals the current state of technology in the Equipment Finance industry. We believe the findings in these pages can help inform the construction of Equipment-Finance business plans and the creation of new technology strategies to support those plans. The BTPI can also assist in efficiently benchmarking and refining your existing IT strategic direction against the market.

Cordially,



**Michael Donnary**

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## Executive Summary

Digital technologies are advancing rapidly onto the global economic landscape. Executives in every industry face a bewildering array of new digital opportunities. These business leaders are paying attention, but they have few signposts to guide them. And in the Equipment Finance industry, many of these executives head traditional companies that are older, larger, and still burdened with inflexible legacy systems.

Digital technologies are changing the situation. Specifically, **digital maturity**, a combination of two separate but related uses of digital technology, is bringing about the transformation of Equipment Finance firms, from internal operations to customer engagement to business models. Digital maturity comprises **digital intensity**, which invests in technology-enabled initiatives to change how a company operates, and **transformation management intensity**, which creates the leadership capabilities necessary to drive digital transformation in the organization. These two overarching dimensions of digital maturity tend to spawn four distinct categories, or sub-types, of digital maturity, each of which can be found in the Equipment Finance industry.

Most important about these digital-maturity sub-types are the ways in which companies in each sub-type perform. When we compared digitally mature companies to less-mature competitors, we found striking differences. Companies mature in either of the two main dimensions consistently outstripped industry competitors along numerous dimensions of financial performance. And **Digirati**—those companies mature in both broad dimensions of digital maturity—were found to have the highest performance by far, outperforming less mature firms on multiple financial measures.

The winners of ELFA's Operations and Technology Excellence Award exemplify what is possible with digital maturity. The Award identifies and recognizes Equipment Finance companies that have demonstrated best practices in developing and implementing innovative uses of technology or creative business processes to improve operations, enhance customer interactions, enter new markets and build overall ROI. "The program brings the backroom to the foreground," according to information released by ELFA, "spotlighting the best in the industry as an example for others." Award-winner TCF Equipment Finance, of Minnetonka, MN, used digital technology in innovative new ways to improve its end-of-term lifecycle. Award-winner SunPower Corp., of San Jose, CA, brought a new asset class to market and delivered a cloud-based solution for customer operation of the product, all in just 90 days.

Clearly the Equipment Finance industry is no longer behind the technology curve. The 2013 BTPI reveals that, among top initiatives Equipment Finance companies plan to undertake, are portals that allow partners to see real-time company data, and improvements in business intelligence. Moreover, the initiative respondents indicated they are most likely to pursue is customer self-service, including mobile technology. This trend is very much in line with global technology trends of 2013. Even more encouraging: approximately 75% of respondents indicated that they already have some degree of mobile capability, or that they plan to add capabilities in the near future. The building of digital transformation in the Equipment Finance industry has begun.

Employees often have better digital solutions at home than they do at work.

## 1. Digital Transformation

New digital technologies that include social media, mobile technology and data analytics are advancing rapidly on the economic landscape. To understand how widely these innovations are already employed, consider:

- Facebook has more than 1 billion users
- More than 6 billion mobile phones are in existence
- LinkedIn, the social network for professionals, has registered 225 million people from more than 200 countries, and its users are increasingly engaged<sup>1</sup>

Ironically, perhaps, employees often have better digital solutions at home than they do at work. As a result, many customers possess more technology savvy than those trying to sell to them.

Executives in every industry, from media to paint manufacturing to Equipment Finance, face a bewildering array of new digital opportunities. These business leaders are paying attention, but it's not easy, because they have few signposts to guide them. Most technology stories in the business media focus on fast-moving startups like Zynga and Pinterest, or on well-known, enormous high-tech firms, such as Apple, Google, and Amazon.

Unfortunately, stories of these nimble, innovative firms don't always compute for leaders in the Equipment Finance industry. The reason: Many of them head traditional companies that are older, larger, and still burdened with inflexible legacy systems.

With this in mind, BTPI authors this year set out to learn, in addition to BTPI survey results, what fast-moving digital innovation means for large traditional companies. Accessing two years of study by Capgemini and MIT Sloan Management Review covering 1,559 executives and managers in a wide range of industries at nearly 400 large firms (*see About the Report*); we found that most large firms are already taking action. They are using social media, mobile technologies, data analytics and embedded devices to revolutionize their customer engagement, their internal operations, and even their business models. Our research reveals significant advantages for those firms that have positioned themselves to capture the real business benefits of these innovations. But so far, few firms have achieved what is known as **Digirati** status.

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<sup>1</sup> "How To Use LinkedIn To Boost Marketing And Increase Sales," Business Insider, July 18, 2013. <http://www.businessinsider.com/linkedin-boost-marketing-increase-sales-2013-7>

## 1.1. What is Digital Maturity?

Digital maturity is a combination of two separate but related dimensions of digital technology. The first, **digital intensity**, invests in technology-enabled initiatives to change how a company operates—from its customer engagements to its internal operations to its business models. As a winner of this year's ELFA Operations and Technology Excellence Awards, TCF Equipment Finance, of Minnetonka, MN, used technology to improve its end-of-term lifecycle. SunPower Corp. of San Jose, CA, also a winner of the award, brought a new asset class to the market and delivered a cloud-based solution to operate the product in just 90 days. Both firms employed digital intensity to achieve their results.

Firms active in the second dimension of digital maturity, known as **transformation management intensity**, are creating the leadership capabilities necessary to drive digital transformation in the organization. Transformation intensity consists of the vision to shape a new future, along with corporate governance and customer engagement to steer the course. This dimension of digital maturity also drives IT/business relationships to implement technology-based change.

The elements of transformation management intensity work together through a combination of top-down leadership and bottom-up innovation, both of which drive ongoing digital transformation. Volvo developed a vision and governance capabilities before it began to implement new digital services in its cars. Nike, Inc. built a digital division called Nike Digital Sport to coordinate and extend successful activities it had built separately in social media, digital product design, custom manufacturing, and other areas.

In many companies, however, the elements that could combine to produce transformation management intensity are overly slow or conservative, preventing firms from investing in innovative opportunities. In contrast are those companies so advanced in digital maturity that they are known as **Digirati**, a coin termed by the media for elite technology firms. Digirati firms have the ability not only to build digital innovations, but to drive enterprise-wide transformation. And they benefit from their innovations, often quickly, achieving significantly higher financial performance than their less digitally mature competitors.

Clearly, digital maturity matters. It matters in every industry, but it matters particularly in today's Equipment Finance industry, which is considered mature in most other aspects and is becoming increasingly regulated worldwide. Fortunately, approaches that digitally mature companies use to

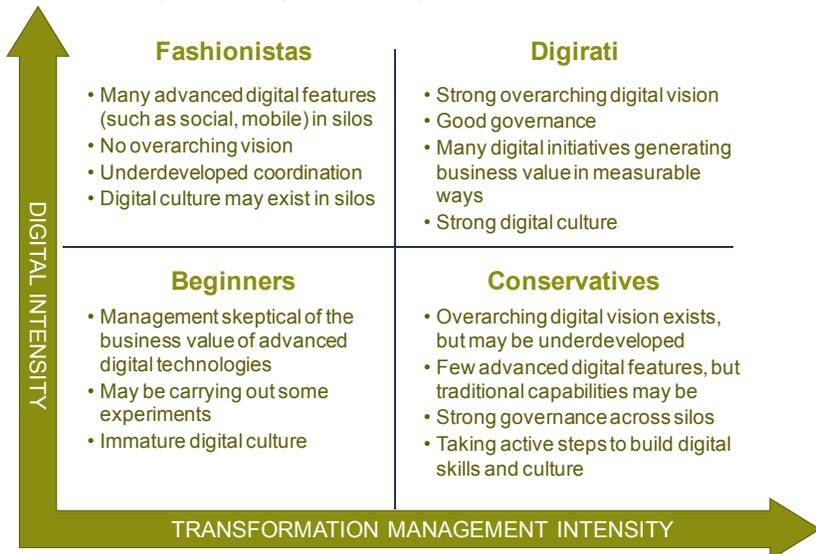
**Digirati firms have the ability not only to build digital innovations, but to drive enterprise-wide transformation.**

attain that status can be adopted by any company with the leadership drive to do so.

## 1.2. Four Types of Digital Maturity

The two overarching dimensions of digital maturity tend to spawn four different types of digital maturity as shown in the exhibit below. Companies in the lower left quadrant are known as **Digital Beginners**. These firms do very little with advanced digital capabilities, although they may be mature with more traditional applications, such as ERP or legacy lease-and-loan servicing systems. Although companies may be Digital Beginners by choice, more often than not they occupy this quadrant by accident. They may be unaware of the opportunities offered by digital maturity, or they may be starting small investments without effective transformation management in place.

Exhibit 1. Four Types of Digital Maturity



Source: "The Digital Advantage: How digital leaders outperform their peers in every industry," Capgemini Consulting and MIT Sloan Management Review, November 2012

Firms in the top left quadrant are known as **Digital Fashionistas**. Digital Fashionistas have implemented or experimented with many sexy digital applications. Some of these initiatives may create value, but many do not. And while these applications might look good together, they have not been implemented with the vision of gaining synergies. Digital Fashionistas are motivated to bring on digitally powered change, but their digital transformation strategy is not founded on real knowledge of how to maximize the business benefit that could arise from the change. Companies

**Digirati combine transformative vision, careful governance and customer engagement with investment in new opportunities.**

lacking enterprise-level governance may find themselves in this quadrant at the corporate level, even if their digital efforts are more mature in individual business units.

Companies in the bottom right quadrant are **Digital Conservatives**. Digital Conservatives favor prudence over innovation. They understand the need for a strong unifying vision, as well as the need for governance and corporate culture, to ensure that their investments are managed well. But they are usually skeptical of the value of new digital trends, sometimes to their detriment. In an effort to spend wisely, Digital Conservatives are overly cautious, causing them to miss out on valuable opportunities that their more stylish competitors identify and exploit.

Firms at the top right quadrant are **Digirati**. Digirati truly understand how to drive value through digital transformation. They combine transformative vision, careful governance and customer engagement with investment in new opportunities. Through vision and engagement, they also develop a digital culture that can envision still more changes and implement them wisely. By investing in and carefully coordinating digital initiatives, Digirati companies strategically advance their digital competitive advantage.

### 1.3. Why Digital Maturity Matters

Companies take different paths to digital maturity. Nike began by developing digital intensity in silos. It then added elements of transformation management intensity to link the silos and launch new capabilities. Indian paint manufacturer Asian Paints went another way, creating vision, governance and IT capabilities to become a more unified company. Asian Paints then repeatedly built on its capabilities to transform its customer engagement, internal operations and business models. Nike and Asian Paints are reaping huge benefits, and they're not alone.

The industries in Capgemini's two-year study with MIT Sloan Management Review vary widely on digital maturity. To understand the relationships between digital maturity and financial performance, we analyzed industry-adjusted financial performance of 184 publicly traded firms in our sample. Comparing digitally mature companies to their less-mature competitors, we found striking differences. Companies mature in *either* of the two dimensions outstrip industry competitors along different dimensions of financial performance. Meanwhile, Digirati—those companies mature in both dimensions—have by far the highest performance, outperforming less mature firms on multiple financial measures.

## 1.4. Digital Intensity and Revenue Generation

Companies mature on the digital intensity dimension (the vertical axis in the Digital Maturity chart) are accomplished at driving revenue through their existing assets. They use digital intensity to gain and manage more volume without adding to their physical capacity. On a basket of measures including revenue per employee and fixed asset turnover, both Fashionistas and Digirati outperform average industry performance by 6% to 9%. Hospitality firm Caesars Entertainment, for example, has launched a location-based mobile marketing capability. Customers get offers when and where they need them, and Caesars is able to learn, in real time, about the personal preferences of each customer.

Fashionistas—strong on digital intensity but not on transformation management intensity—drive 16% more revenues through their human and physical assets than do Conservatives.

## 1.5. Transformation Management and Profitability

Moving in the other dimension, companies that are mature in transformation management intensity are more profitable. On average, Conservatives and Digirati are 9% to 26% more profitable than their average industry competitors on a basket of measures including EBIT margin and net profit margin. For these firms, strong vision and governance help to align investments along a common direction. They weed out activities that run counter to the future vision of the transformed firm. Then they engage their employees in identifying new opportunities. Executives of the French yellow pages firm Pages Jaunes declared that all future investment, other than maintenance, must focus on growing digital revenues and profits, not on improving the traditional paper-based business. Meanwhile, through communication and training, executives at the company engaged the workforce to enact the vision and generate new ideas.

## 1.6. Digirati Outperform All Others

Firms that are more mature on both digital dimensions outperform their competitors in specific and different ways. Digirati, the 25% of firms that are more mature in both dimensions, far outperform the others. On average, Digirati are 26% more profitable than their industry competitors. They generate 9% more revenue through their employees and physical assets, and they create more value, generating 12% higher market valuation ratios. The Digirati advantage is more than just the sum of performance gains for Conservatives and Fashionistas. Digirati combine digital intensity and

**On average, Digirati are 26% more profitable than their industry competitors.**

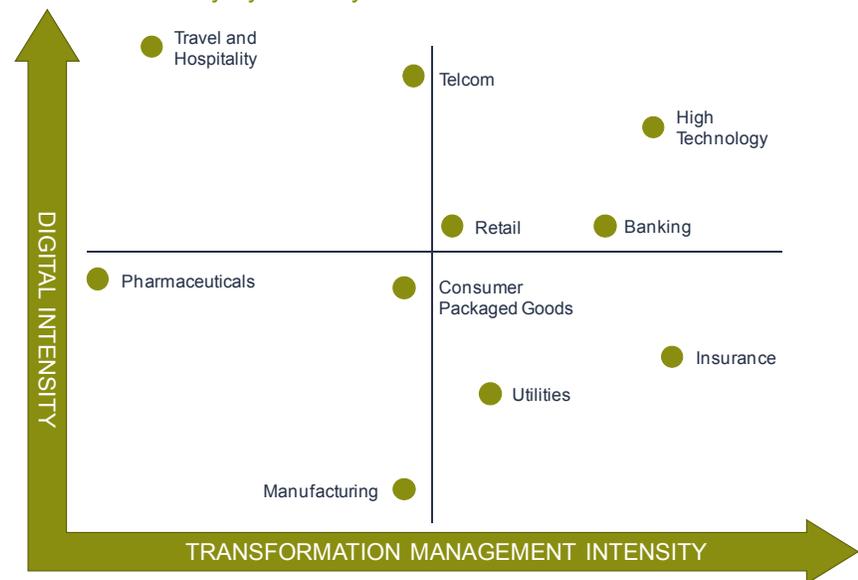
transformation intensity to achieve performance that is greater than either dimension can deliver on its own.

## 1.7. Digital Transformation Matters in Equipment Finance and in Every Industry

The results are clear. On average, Digitirati are fully 26% more profitable than their industry competitors. For the large traditional companies we studied, most of which report \$1 billion or more in revenues, the difference can be many millions of dollars on the bottom line. But does this mean every industry is equally affected? Can companies in some industries afford to wait?

Digital transformation is moving more rapidly in some industries than in others. Companies in the travel and music industries, for example, were hit early by threats from digital competition and have already undergone profound transformation, but they still face challenges. Financial services and retail underwent major transformation due to electronic commerce in the 2000s and are now starting to innovate with technologies that include social media, mobility and analytics. Other industries, however, have yet to feel the impact of fast-changing digital technologies.

Exhibit 2. Maturity by Industry



“The Digital Advantage: How digital leaders outperform their peers in every industry,” Capgemini Consulting and MIT Sloan Management Review, November 2012

Digital maturity by industry for our survey is outlined in the above exhibit. Each dot represents the average maturity of industries for which we have 20 or more data points. High-technology firms lead in digital maturity, as might be expected. Banking and retail also occupy the Digirati space, but are not as mature as the high-tech industry. Banks' Digirati status may be due to digital features, such as online and mobile banking, which are good for both banks and their customers. These features, after all, provide major conveniences to customers while serving as lower-cost channels for banks.

The telecom and travel industries occupy the Fashionista space. Both have launched important technology-based features and business-model changes, but on average their transformation management intensity is not quite enough to move them into the Digirati quadrant.

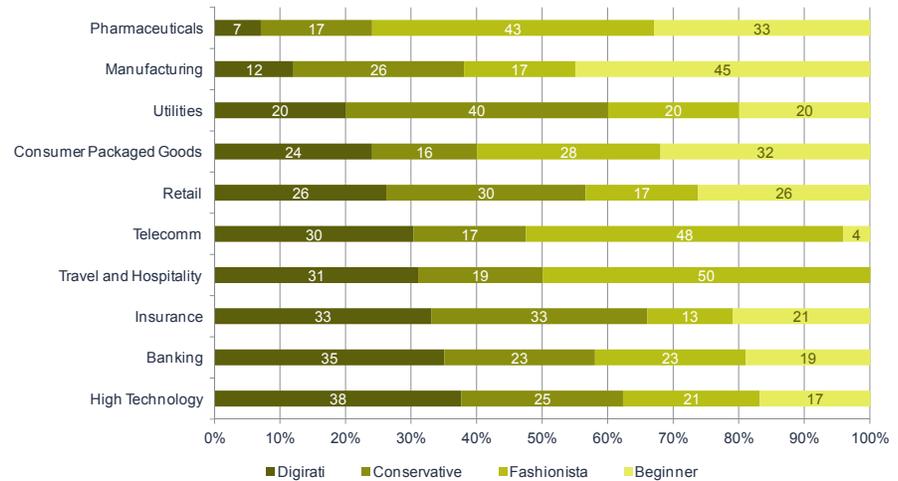
Insurance and utilities can be found in the Conservative quadrant. Some insurers are focused on innovating with new technologies, but many more are being held back by regulatory concerns or difficult organizational legacies. Utilities may also be hindered by legacies of culture or regulatory environment that force a focus on cost reduction rather than on broader innovation.

Other industries are less mature. Manufacturers and Consumer Packaged Goods (CPG) firms, for example, still occupy the Beginner quadrant on average, although some firms are more advanced. Pharmaceuticals, while still mostly Beginners, look more like Fashionistas than manufacturers and CPG firms. Pharma companies are starting to invest more in digital technology, but may be having difficulty in linking organizational silos, due to a long history of acquisition and decentralization, or because industry executives may believe they still have time before they need to transform.

The next exhibit helps to clarify maturity differences among industries. It shows the percentage of firms in each industry by quadrant. Note that more than 80% of travel and hospitality firms are Digirati or Fashionistas, and there are no Beginners in the industry. Many travel and hospitality firms have made extensive investments in digital intensity, but not all have invested in transformation management intensity necessary to drive additional value from digital transformation. They may even be Digirati in disconnected silos. These firms, having already implemented digital innovations, can invest in ways to develop a more coordinated and efficient approach to digital transformation. Given the large number of Digirati in the travel and hospitality industry, Fashionistas should carefully consider investing in transformation leadership capabilities.

**More than 80% of travel and hospitality firms are Digirati or Fashionistas and there are no Beginners in the industry.**

Exhibit 3. Maturity Breakdown by Industry



“The Digital Advantage: How digital leaders outperform their peers in every industry,”  
Capgemini Consulting and MIT Sloan Management Review, November 2012

Retailers, surprisingly, look more like utility companies than like faster-moving technology companies in their digital maturity profile. While many retailers have mastered both dimensions of maturity when managing multichannel e-commerce, some others still struggle with the multichannel integration. Investing in transformation management intensity may help these retailers master multichannel business while launching new ways to enhance sales and service through social media, mobile and analytics.

Other retailers may have slipped from Digirati to Conservative quadrants if they were slow to invest in newer technologies like social media, mobile, and analytics. The large number of Conservatives in retail—already having transformation management intensity to gain value from technology investments—could move quickly into the Digirati quadrant by increasing their digital intensity in newer technologies.

## 1.8. Conclusion

The pace of technological change is accelerating sharply, and executives in the Equipment Finance industry are paying attention. They face a vast set of alternatives for gaining digital advantage, but they also hear a bewildering barrage of advice—sometimes conflicting and often wrong—about how to move forward. In the two-year Capgemini Consulting/MIT Sloan Management Review study, we discovered that many common perceptions about digital transformation were actually myths. These myths can lead executives to make unfortunate and costly decisions.

**Exhibit 4. Myth versus Reality of Digital Transformation**

Myth	Reality
Digital is primarily about the customer experience	Huge opportunities exist also in efficiency, productivity, and employee leverage
Digital primarily matters only to technology or B2C companies	Opportunities exist in all industries with no exceptions
Let a thousand flowers bloom; bottom-up activity is the right way to change	Digital transformation must be led from the top
If we do enough digital initiatives, we will get there	Transformation management intensity is more important for driving overall performance
Digital transformation will happen despite our IT	Digital Leaders exhibit a common DNA
In our industry we can wait and see how digital develops	There are digital leaders outperforming there

## 2. BTPI Survey Findings

### 2.1. Top Three Key IT-Related Initiatives

One question we ask each year is this: “What are the top three key IT-related initiatives you will undertake within the next 18 months?” The detailed responses given are listed below.

Exhibit 5. Top 3 Key IT Related Initiatives	
Answer Options	Count
Customer self-service (including web, mobile, phone, etc.)	7
Business intelligence improvements	6
Process-efficiency improvement initiative	5
360-degree view of customer , or Customer Relationship Management (CRM)	4
Portal for partners	4
Front-end (originations) system replacement	3
Buy or build business specific applications	3
Consolidate multiple front-end platforms	2
Back-end (servicing) system replacement	2
Consolidate multiple back-end platforms	2
Build or improve systems integrations	2
Compliance-improvement initiatives	2
Business Process Management (automation of workflow)	2
Electronic signature solutions	2
Risk-management initiatives focused on credit, residual value, liquidity or interest-rate risk	2
Expansion of financial product offerings	1
Invoicing / payment-processing initiative	1

Improving customer self-service, improving business intelligence and improving process efficiency led the way this year and essentially remained unchanged percentage wise when compared to prior years’ responses. Falling off in 2013 was focus on system integrations and replacements.

### 2.2. System Limitations

Wide arrays of applications were listed as the front-end package among respondents. One third of respondents were lone users of the reported front-

**This year approximately 95% of respondents reported using a package system application.**

end system. Diverging from past years, in which a proprietary in-house application was often a leading reported front-end system, this year approximately 95% of respondents reported using a package system application. As with responses concerning the front-end system, responses on back-end systems showed that a third of the respondents were also the sole user of the back-end system. Yet, while front-end applications were spread among nine systems, back-end systems were led by two applications that account for 70% of respondents' entire application.

Despite such an eclectic mix of applications, we did note several common themes among the responses in terms of current system limitations. Prevalent front-end limitations were noted again this year, as has been the case for many years. These limitations exist in integrations, workflow, reporting, and data management and analysis.

Integrations from the front-end system are standard functionality for most systems. But these integrations are not always comprehensive. Workflow functionality varies from system to system, and while front-end systems often have a standard workflow tool, the configuration and flexibility of these tools are not always user-friendly, and are often too rigid.

Reporting is often seen as a potential area of improvement. Using standard reporting tools, reporting can be as dynamic and robust as desired. Dashboard interactive reporting is possible using these tools, and is commonly done when companies want to enhance their view into the data. Data management varies among systems and is often unique to a business, with the company's business rules supplying the driving force. Details of these limitations can be seen in the following exhibit.

Additional front-end limitations reported for 2013 were based on customer self-service. This trend aligns with the fact that customer self-service was noted as an area of anticipated system improvement among respondents in the next 18 months. Customer self-service is a key differentiator within the market, and the ability for customers to make real-time updates is crucial. Half of all respondents noted that self-service was in some way a limiting factor in their application.

Approximately 25% of 2013 respondents also noted that their mobile functionality was lacking and expressed a desire to strengthen it. In the current business and technology environment, companies must provide employees with the ability to access their applications in real time while on the go. Being forced to work from inside a box or at a fixed workstation is no longer acceptable. To that end, 33% of survey respondents said their

customers are requesting mobile-device support—but companies are still unable to provide it.

Exhibit 6. Missing Front-End System Features																	
<table border="1"> <thead> <tr> <th>Data</th> </tr> </thead> <tbody> <tr> <td>Change Control Process</td> </tr> <tr> <td>Data Upload / Electronic Capture</td> </tr> <tr> <td>Data Validations</td> </tr> <tr> <td>Data Analysis / Profiling to Capture Potential Trends – Ability to Provide Early Warning</td> </tr> </tbody> </table>	Data	Change Control Process	Data Upload / Electronic Capture	Data Validations	Data Analysis / Profiling to Capture Potential Trends – Ability to Provide Early Warning	<table border="1"> <thead> <tr> <th>Integrations</th> </tr> </thead> <tbody> <tr> <td>Ability to easily integrate with other systems</td> </tr> <tr> <td>Accessibility for systems integrations</td> </tr> <tr> <td>Bi-directional feed to Accounts Payable System</td> </tr> <tr> <td>Improved system integration capabilities</td> </tr> <tr> <td>Seamless integration with back-end system</td> </tr> <tr> <td>Interfaces with scoring and credit functions</td> </tr> <tr> <td>Interfaces to credit applications</td> </tr> <tr> <td>Link to credit information (D&amp;B)</td> </tr> <tr> <td>Linkage with SFDC</td> </tr> <tr> <td>Link to CRM</td> </tr> </tbody> </table>	Integrations	Ability to easily integrate with other systems	Accessibility for systems integrations	Bi-directional feed to Accounts Payable System	Improved system integration capabilities	Seamless integration with back-end system	Interfaces with scoring and credit functions	Interfaces to credit applications	Link to credit information (D&B)	Linkage with SFDC	Link to CRM
Data																	
Change Control Process																	
Data Upload / Electronic Capture																	
Data Validations																	
Data Analysis / Profiling to Capture Potential Trends – Ability to Provide Early Warning																	
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Ability to configure system workflow easily within application																	

Back-end system limitations presented similar themes as respondents cited problems with reporting, integrations, and data management. Other common limitations cited on the back end: outdated technology and the need for web portals.

## 3. Other Technology Trends

### 3.1. Technology Initiatives, 2012 vs. 2013

**Mobile technology, social media and the cloud all continue as key trends across the IT landscape.**

To better understand parallels between our industry and the global IT market, we began last year to examine technology trends outside the Equipment Finance industry. In last year's comparison of strategic technology initiatives of the overall market and initiatives evident in the BTPI survey data, we found that some equipment finance firms were moving ahead of the curve. This trend is not historically present in our industry; in fact, Equipment Finance is generally considered to be five years behind most technology curves. But when comparing the same external strategic initiatives from 2012 to the 2013 BTPI survey data, it seems evident that this trend has continued for a second consecutive year, and even increased.

The following exhibit outlines a comparison of 2013 initiatives within the Equipment Finance industry to 2012 initiatives. Although this year's initiatives are similar to those of 2012, we found the 2013 initiatives much more focused and detailed, now that technologies are becoming more widely available and are being adopted within organizations.

Exhibit 7. Key Technology Initiatives for 2013, as compared to those for 2012	
2013	2012
Mobile Devices	Media Tablets
Mobile Applications	Mobile Centric Applications & Interfaces
Personal Cloud	Cloud Computing
Hybrid IT & Cloud Computing	
Enterprise Application Stores	Application Stores & Marketplaces
Internet of Things (interconnectivity of devices & physical items)	Internet of Things
Strategic Business Data	Big Data
Actionable Analytics	Next Generation Analytics
In Memory Computing	In Memory Computing
Integrated Ecosystems	

Mobile technology, cloud computing and the ability to compile data from a variety of sources quickly for analytical purposes all dominate the contemporary information technology landscape. Accompanying these

**Approximately 75% of respondents indicated they already have some degree of mobile capability or plan to add in the near future.**

capabilities is support from technology teams, which provide the capabilities in a secure and efficient manner.

These industry-wide trends can be glimpsed in BTPI Index statistics. We see, for example, that some of the top initiatives Equipment Finance companies plan to undertake portals that allow partners to see real-time company data. Business intelligence improvements also appear in this year's survey as a top initiative that respondents expect to undertake. Direct examples from survey respondents include the use of portfolio analytics, available on iPads; mobile asset management capabilities; and a legacy lease accounting system, deployed in the cloud.

Interestingly, the initiative respondents indicated they are most likely to pursue is customer self-service, including mobile technology. This trend is very much in line with global technology trends of 2013. Even more encouraging: approximately 75% of respondents indicated that they already have some degree of mobile capability, or that they plan to add capabilities in the near future.

Indeed, the alignment of Equipment Finance technology trends to U.S. industry technology trends as a whole for two years running is extremely encouraging. No longer can it be said that when it comes to technological culture and vision, the Equipment Finance industry lags behind others. Instead, industry members today appear to have a new goal to be on top of these trends—and with appropriate leadership and vision, they can do so. Opportunities to compete in the technology space are there for the taking.

### 3.2. ELFA Operations & Technology CIO Roundtable

On September 9, 2013, a group of CIOs and other operations and technology decision-makers met in Austin, Texas to participate in a CIO Roundtable. The ELFA CIO Roundtable is an educational event not influenced by vendor sponsorships. The agenda is formulated by thought leaders in business and technology who also donate their time and effort moderating and participating in the sessions. The result is a truly unique, peer-based venue that delivers timely content, idea generation, and insight into the concerns of industry leaders.

### 3.3. Roundtable Findings

The session started by brainstorming a list of topics to discuss. A number of topics surfaced and were discussed, but the following question led to the most interesting and eye-opening conversation:

**“When are the systems going to have an open architecture?”**

Open systems employ modular design and use widely supported and consensus-based standards for their key interfaces. Many Roundtable participants agreed that their organization’s leasing and lending platforms were not built on an open architecture, and thus prevented seamless integration with other applications and the realization of the ideal enterprise IT architecture. This situation is a significant barrier to successfully implementing the Top 3 Key IT Related Initiatives identified in the BTPI survey results.

A majority of technology leaders present agreed that their ideal IT architecture would provide the necessary technical foundation for an effective IT strategy, which is the core of any successful business strategy. Specifically, they said, the IT architecture should define the components or building blocks that make up the overall information technology ecosystem. The architecture should also provide a plan from which the products desired by the business can be procured, and from which systems can be developed that will work together. This IT architecture should enable CIOs to manage their IT investment in a way that meets the needs of the equipment finance business.

At this point, a theme emerged—that an effective IT architecture is critical to business survival and success, and is the means to achieving competitive advantage through IT. There was consensus among the CIOs that their CEOs know effective management and exploitation of information through IT is the key to business success. The ideal IT architecture addresses this need by providing a strategic context for the evolution of the IT ecosystem in response to the constantly changing needs of the business environment. Until core equipment leasing and finance applications are built on open platform and seamlessly integrate with other enterprise applications, organizations will not be able to achieve their ideal IT architecture.

One participant shared the challenges associated with trying to achieve a balance between IT efficiency and business innovation while supporting legacy systems not built on an open architecture. This firm’s mission is to deliver an IT architecture that enables managed innovation and constant change within the enterprise. When asked what the ideal IT architecture looks like; one participant said, “In a perfect world, individual business units can innovate quickly and safely in their pursuit of competitive advantage. At the same time, the needs of the organization for a cost-effective integrated IT strategy are assured.”

**An effective IT architecture is critical to business survival and success.**

# 4. Capgemini Point of View

A convergence has brought the Equipment Finance industry more in line with patterns seen in the overall adoption of the Internet as well as other global technology trends. Our BTPI data suggests that areas such as customer self-service via the Web, business intelligence improvements and business process management (BPM) are at the forefront of key initiatives companies are looking to undertake in the next 18 months.

Exhibit 8. Internet Adoption Timeline

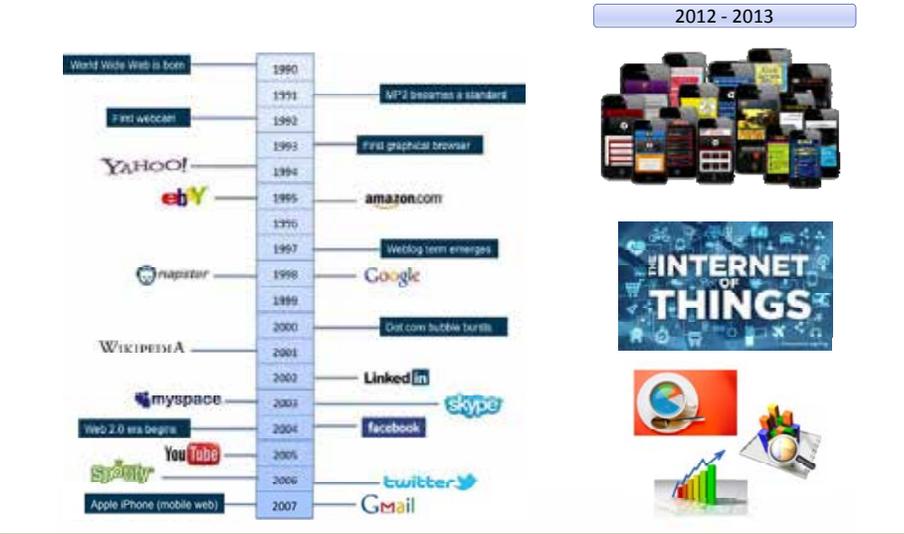
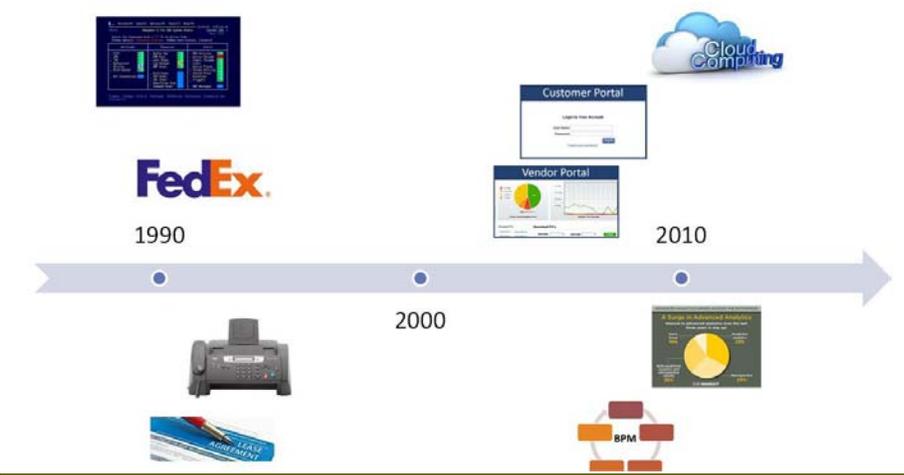


Exhibit 9. Equipment Finance Industry Adoption Timeline



Other global technology trends suggest that cloud computing and next-generation analytics are key initiatives for companies in 2013. For the first time in a long time, we are seeing more of a similar focus in the Equipment Finance industry.

#### 4.1. Conclusion

Some forward looking Equipment Finance companies are taking action. They are using social media, mobile technology and data analytics, and have even become comfortable with cloud computing. These moves have enabled changes in customer engagement, internal operations and, in some cases, their business models. But at this point, only a few Equipment Finance companies have positioned themselves to capture significant business benefits. We believe there is a real advantage to those that do.

That said, not every Equipment Finance company needs to undergo an immediate or comprehensive technology transformation, as sometimes the only change required may just be around business processes or a new approach to customer service. We have seen a change in culture have a more significant and lasting impact for some Equipment Finance companies. For example, shifting from a reactive customer support approach towards proactive customer engagement has produced better results even when the technology tools remained the same.

In our experience, technology is neither the root cause nor cure-all for many challenges facing our industry today. The real business impact of technology transformation comes from how it is deployed and used by the people inside and outside our organizations. Our industry leaders must make the effort to understand their own particular situation and discover the right way forward. It's challenging and hard work, but with the right attitude and motivation from the top, it will be less painful than doing nothing.

## 5. Survey Response Statistics

### 5.1. BTPI Response Statistics

Following is a summary of responses to the BTPI survey. Since respondents did not always provide information for each question, each table in the survey may have a different number of respondents. Responses to the first two questions reveal the variety of participants:

1. Profile of respondents by type of Equipment Finance provider	2. Profile of respondents by market segment	
Bank	8	
Captive	3	
Independent	9	
Total respondents	20	
	Micro-ticket	1
	Small-ticket	9
	Middle-ticket	6
	Large-ticket	4
	Total respondents	20

The next 10 questions focused on respondents' rating of internal capabilities in terms of IT and operations abilities. Respondents were asked to rate each area, based on the following maturity definitions.

<b>Initial</b>	Ad-hoc processes. Systems not industry standard and do not cover the entire leasing lifecycle. Widespread use of Excel and standalone, non-integrated systems and tools.
<b>Repeatable</b>	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.
<b>Defined</b>	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.
<b>Managed</b>	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.
<b>Optimizing</b>	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.

**3a. How would you rate your company's customer relationship management (CRM) capabilities?**

Rating	Percentage of Respondents
Initial	18%
Repeatable	35%
Defined	29%
Managed	12%
Optimizing	6%

**3b. How would you rate your company's new business processing capabilities?**

Rating	Percentage of Respondents
Initial	0%
Repeatable	24%
Defined	29%
Managed	41%
Optimizing	6%

**3c. How would you rate your company's back-end portfolio servicing capabilities?**

Rating	Percentage of Respondents
Initial	6%
Repeatable	35%
Defined	29%
Managed	18%
Optimizing	12%

**3d. How would you rate your company's collections and customer service capabilities?**

Rating	Percentage of Respondents
Initial	6%
Repeatable	29%
Defined	29%
Managed	29%
Optimizing	6%

**3e. How would you rate your company's customer self service capabilities?**

Rating	Percentage of Respondents
Initial	41%
Repeatable	6%
Defined	35%
Managed	18%
Optimizing	0%

**3f. How would you rate your company's core accounting (general ledger, accounts payable, payroll) capabilities?**

Rating	Percentage of Respondents
Initial	0%
Repeatable	12%
Defined	59%
Managed	18%
Optimizing	12%

**3g. How would you rate your company's business intelligence / reporting capabilities?**

Rating	Percentage of Respondents
Initial	12%
Repeatable	41%
Defined	29%
Managed	18%
Optimizing	0%

**3h. How would you rate your company's compliance and controls capabilities?**

Rating	Percentage of Respondents
Initial	12%
Repeatable	18%
Defined	47%
Managed	24%
Optimizing	0%

**3i. How would you rate your company's project management capabilities?**

Rating	Percentage of Respondents
Initial	18%
Repeatable	29%
Defined	35%
Managed	18%
Optimizing	0%

**3j. 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	12%
Repeatable	18%
Defined	29%
Managed	35%
Optimizing	6%

**4. Respondent identification of top 3 IT related initiatives to be undertaken with the next 18 months**

Initiative	Number of Responses
Customer self service (including web, mobile, phone, etc.)	7
Business intelligence improvements	6
Process efficiency improvement initiative	5
360 degree view of customer / CRM	4
Portal for partners	4
Front-end (originations) system replacement	3
Buy or build business specific applications	3
Consolidate multiple front-end platforms	2
Back-end (servicing) system replacement	2

#### 4. Respondent identification of top 3 IT related initiatives to be undertaken with the next 18 months

Initiative	Number of Responses
Consolidate multiple back-end platforms	2
Build or improve systems integrations	2
Compliance improvement initiatives	2
Business Process Management (automation of workflow)	2
Electronic signature solutions	2
Risk management initiatives focused on Credit, Residual Value, Liquidity or Interest rate risk	2
Expand financial product offerings	1
Invoicing / payment processing initiative	1
Other (please describe below)	1
Outsourcing of processes	0
Outsourcing of systems / applications	0

#### 5. Number of years using front-end system

Average 7.3

#### 6. Number of years using back-end system

Average 8.9

#### 7. In which of following areas are you using automated workflow

Area	Percentage
Documentation	71%
Credit	65%
Funding/Booking	53%
Collections	35%
Asset Management	29%
Portfolio Management	24%
Customer Service	18%
None of the above	18%

**8. Respondent company web based offerings for customers (note: respondents have selected all that apply)**

	Via the web	Mobile device	Other self-service technology
Electronic bill presentment	10	2	2
Request support (e.g. customer service, sales)	9	2	2
Request changes to contract / asset information (e.g. address change)	8	2	2
Electronic presentment of documents	8	2	2
Make payments	8	2	3
View all contract / asset information	7	2	2
View payment history information	7	1	1
Execute documents electronically	4	1	3
View balance and payoff quote information	3	0	1
View cross-sell product offerings	3	1	2
Request a funding under a line of credit or master agreement	2	1	2

**9. Please specify your level of agreement or disagreement with the following statements as they pertain to your organization**

	Strongly Agree	Agree	Somewhat Agree	Somewhat Disagree	Disagree	Strongly Disagree
Core back-end system(s) meet current needs	12%	47%	12%	29%	0%	0%
Back-end system(s) meet future needs	29%	24%	6%	24%	18%	0%
Core front-end system(s) meet current needs	6%	47%	6%	18%	18%	6%
Front-end system(s) meet future needs	29%	18%	6%	18%	0%	29%

**10. Respondent preference towards approach for assembling core, front-end origination and back-end servicing system applications**

Purchasing an enterprise-wide, package based solution from a single vendor	59%
Purchasing best of breed package based solutions from multiple solution providers	24%
Building a custom application(s) tailored to your company needs	18%

**11. Percentage of respondent identification of top 3 offerings/capabilities that customers are demanding but are unable to provide at this time. Note the responses are displayed as percentage of respondents indicating the deficiency:**

Initiative	Percentage
Customizable reporting formats	50%
Support for mobile devices	31%
Online execution of documents	31%
Online payment capabilities	31%
Online credit decisioning	25%
Online billing statements	19%
Access to asset management information	19%
Asset level invoicing	19%
Ability to obtain buyout quote online	19%
Online application submittal	13%
Instant online quote	13%
Ability to view payment history information	13%
Other (please describe below)	13%
Ability to price deals themselves	6%
Automatic bill pay	0%
Rewards program	0%

**12. What barriers are you encountering in fully providing these offerings to your customers? (Respondents selected all that applied)**

Area	Percentage
Other competing priorities	63%
Resource availability	56%
Financial cost	44%
Inability to integrate with current technology	38%
Overall complexity	38%
Limited and/or lack of internal expertise	31%
Lack of business support	25%
Other	0%

**13. Respondent current delivery capability for each of the following:**

	Fully available	Partially available	Planned future capability	No plan to provide capability at this time
360 degree view of the customer across your organization	13%	44%	38%	6%
Robust web enabled customer self service channel	0%	50%	38%	13%
Mobile device capabilities	13%	25%	38%	25%
Delivery of product and service information to customers through social media channels	0%	31%	19%	50%
Enhanced customer reporting capabilities (i.e. abilities for customers to customize available reports and download in different formats)	0%	25%	56%	19%
Customized customer product and service offerings	0%	38%	44%	19%

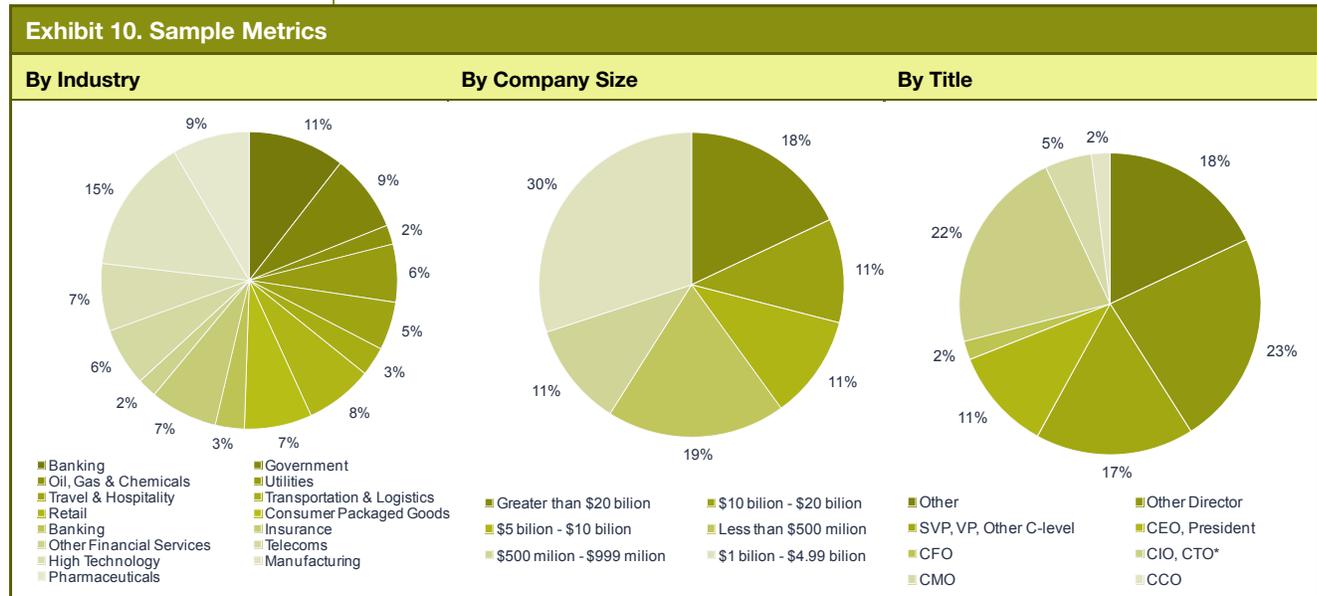
**14. Does your company have a tool set or capability developed to spur innovation? (Respondents selected all that applied)**

	Percentage
A more informal than formal approach to innovation	50%
A senior leader within the organization that has innovation as one of their key goals for the year	31%
A budget allocation for the development and implementation of innovations	31%
Do not have any tool set or capability developed to create innovation	25%
A team of employees that dedicates a budgeted amount of time to work on innovation	19%
Employee incentives for innovative ideas	13%
Formal approach to researching innovative ideas that are happening in other markets	13%
A formal structure or program	0%
Other	0%

## 5.2. MIT/Capgemini Research

In 2012, we set out to understand how leaders in large traditional companies were gaining advantage from digital technology. We identified what companies are doing digitally, and what it means to be digitally mature. This year, we set out to quantify the findings—to benchmark digital practices around the globe, to identify the most essential components of digital maturity, and to examine the links between digital maturity and financial performance.

We gathered surveys from 469 senior executives in 391 large companies around the world, analyzed the surveys to identify detailed drivers of digital maturity, and classified firms in two dimensions. Then we went a step further. For each of the 184 publicly traded companies in our sample, we obtained 2011 financial performance from COMPUSTAT, converted all figures to U.S. dollars, and calculated standard financial ratios such as EBIT margin, revenue per employee, price/book and fixed asset turnover.



Then, controlling for industry and geography, we conducted rigorous statistical analysis to establish the relationship between digital maturity and financial performance. Next, we conducted a separate analysis to quantify average financial performance gaps between the four digital maturity quadrants. The findings from our statistical analyses, supplemented by our earlier qualitative research and additional interviews, serve as the basis for the findings and recommendations in this report.

## About the Report

The **2013 Business Technology Performance Index** (BTPI) is the latest report in a series of publications on business trends, systems and technology available through the ELFA, the Equipment Leasing and Finance Foundation (ELFF) 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 (IT), operations direction, and spending in both areas. Presented in these pages 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 gleaned from outside research including:

- “Embracing Digital Technology: A New Strategic Imperative,” Capgemini Consulting and MIT Sloan Management Review, October 2013
- Gartner, Inc., “Top Ten Strategic Technology Trends for 2013,” October 23, 2012

The BTPI was written and compiled by Capgemini during the period from July to October, 2013. It is based on industry research and responses from 20 participants representing bank, captive and independent finance companies across a spectrum of ticket sizes, market approaches and geographies. Most respondent companies are members of Equipment Leasing and Finance Association (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 online tools or Excel-based forms. Those who participated received a free advance copy of the report before formal introduction of the report occurred at the 2013 ELFA Annual Conference in October.

## About the Authors

Authors of the 2013 BTPI are members of Capgemini's Banking and Diversified Financials practice. This group focuses on the Equipment Leasing and Finance market and works daily with Equipment Finance companies to help them create more efficient and profitable operations. With more than 125,000 people in 44 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services,

reporting 2012 global revenues of EUR 10.3 billion. Authors and contributors to this report are: Michael Donnary, Christine Williams, Jeff Boots, Michael Baez, Peter Paul Samuels, Josh Bridge, Bryan Parfitt, Shanty Singh and Lawrence Latvala.

The authors would like to thank all participating companies and Capgemini associates who assisted with this report. They would also like to acknowledge and thank Ralph Petta and Bill Choi of the ELFA for their continued support for the BTPI. Ralph and Bill were instrumental in ensuring that this effort receives appropriate coverage, exposure and industry participation. Our thanks to Susan Hodges, industry writer and editor, who helped edit this report.

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## About Capgemini

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With 128,000 people in 44 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2012 global revenues of EUR 10.3 billion.

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