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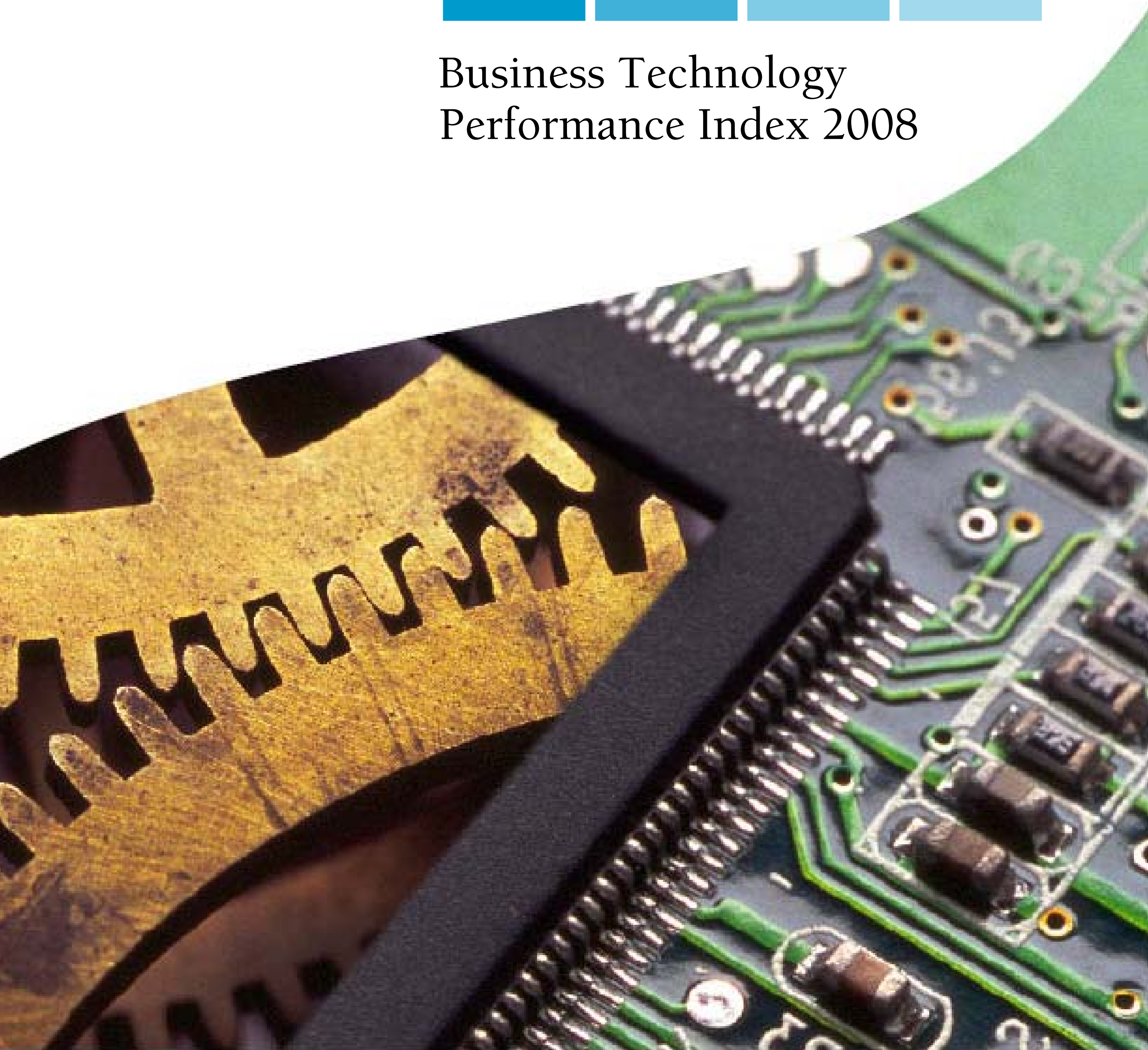
EQUIPMENT LEASING AND FINANCE ASSOCIATION

b t p i

Business Technology Performance Index 2008



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About the Report

Capgemini has completed the sixth annual study of current technology and operations trends in the Equipment Finance market. It serves as the industry benchmark for information technology (IT) and operations direction and spending and represents a summary of responses and an analysis thereof. We also present some of our insights into the continuing evolution of technology in the Equipment Finance marketplace.

The **2008 Business Technology Performance Index** (BTPI) was written and compiled during the period from August to October 2008. It is based on industry research and responses from 34 participants representing bank, captive and independent finance companies across a large spectrum of ticket sizes, market approaches and geographies.

Participation in the BTPI is voluntary and free of charge. All Equipment Leasing and Finance Association Regular Members were welcome and invited to provide data online or through Excel-based forms. All those who participated received a free copy of the report before the ELFA Annual Conference.

The 2008 BTPI is the latest report in a series of publications on business trends, systems and technology available through the ELFA, the Equipment Leasing & Finance Foundation and Capgemini. The BTPI report focuses specifically on trends in technology and operations and their adoption. Other ELFA and Foundation resources were used to support data and conclusions found in this report.

About the Authors

The authors of the **2008 Business Technology Performance Index** are part of Capgemini's Asset Finance practice. This group focuses on the Equipment Finance market and works daily with Equipment Finance companies to help them create more efficient and profitable operations. We are part of the 86,000 person Capgemini consulting business which operates in 36 countries around the world with 2007 revenues of €8.7B. The authors and contributors to this report include Josh Bridge, David Byrne, Steve Byrnes, Mike Donnary, Brian Johnson, Ken Kelliher, Cameron Krueger, Brian Parfitt, Amish Patel and Christine Williams.

The authors would like to thank all the participating companies and Capgemini associates who assisted with this report. Also, we need to acknowledge and thank Ralph Petta of the ELFA for his continued support for the BTPI. Ralph remains instrumental in ensuring this effort receives appropriate coverage and exposure and for keeping the group focused and on task.

Preface

We are proud to present the **2008 Business Technology Performance Index** report in collaboration with the ELFA.

This year's report provides insight into the trends and forward looking initiatives Equipment Finance companies have started, are anticipating, or have recently completed in efforts to drive their companies into new markets, new opportunities and improved and more efficient operations. While this report largely focuses on the North American marketplace, the results do include responses from major players that conduct business around the world. These results can be leveraged for the European, Asia Pacific and burgeoning Central and South American markets.

This report will give you insight into operations trends, technology trends and the state of technology.

The main objective of this report is to help you understand the current thinking of market leading Equipment Finance firms relative to decision processes associated with technology initiatives. This report will give you insight into operations trends, technology trends and the state of technology. The findings of this report can help guide the construction of business plans and the creation of new technology strategies to support those plans. The BTPI can assist you in efficiently narrowing the search for solutions and make it easier to identify market leading technology opportunities on a well-informed basis.

As a service provider to the industry, Capgemini provides solutions in the areas of technology strategy, system selection and implementation, and business transformation—both onshore and offshore—as well as applications development, maintenance and support through over 30 global delivery centers in 22 countries. These offerings are supported by:

- A broad spectrum of global services and experience with all phases of the Asset Finance lifecycle—from marketing and origination through to asset termination
- Outstanding knowledge of the software packages available in the market, supported by an international package-based solutions database with information on every major, relevant package and technology
- An exceptional track record and reference client list that includes 13 of the top 15 Equipment Finance companies as listed in the *2008 Monitor 100*
- Leading-edge capabilities closely attuned to industry trends and leading practices
- Strategic and comprehensive services tailored to the individualized needs of each client
- Global services and resources combined with excellent local delivery capabilities

Should you require any further information or assistance regarding our solutions, please contact Capgemini. We welcome feedback and suggestions on how to improve this report.

Yours sincerely,

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Executive Summary

How quickly things change! A year ago we were discussing excessive liquidity in the Equipment Finance market and today, some players are focused on survival strategies and accessing capital at any cost. New business volume is down and the credit crunch that is affecting many financial markets has hit Equipment Finance as well.

Yet interestingly, as impactful as the economy has been on the market, many aspects of IT have remained consistent and have followed trends that have been identified by the BTPI over the past six years:

- IT spending is up—a limited 1.1% increase—for a sixth straight year
- IT spending is increasing faster than overall operating budgets and now is at 13% of operating spending
- There is a consistent focus on lowering the cost of service delivery—this initiative has ranked #1 (this year) or #2 in each year of the survey
- The use of the web to achieve both customer service excellence and a lower costs continues to build momentum

Is IT impervious to the ups and downs of the market?

Further, when asked how the economy was impacting IT spending and projects:

- 78% of companies responded that major projects were pushing forward, generally as scheduled
- 28% of companies are focused largely on maintaining existing systems, with 72% spending on building new capabilities and solutions

Is IT impervious to the ups and downs of the market? No, it is not and the identification of a strong movement toward outsourcing IT functions and business process outsourcing this year speaks to IT's need to accomplish more with less. But over the years the BTPI has confirmed that regardless of whether the market is moving positively or negatively, IT spending is a key enabler of executing company strategies. As one respondent put it, the "business and IT alignment" and "providing the correct solutions fast enough for the business" are what keeps IT up at night.

Extending existing systems, building better integrations and enabling improved processes are what we have seen as the historical focus of IT. But is there an appetite for large scale system replacements? "Outdated infrastructure" as one respondent noted, is an industry-wide issue. While in the 2007 BTPI we reported that the system replacement logjam may be breaking, 2008 appears to be movement toward wait and see in many sectors, with the possible exception of captive organizations.

This year's BTPI once again reinforces the need for careful planning and business case supported decisions around spending initiatives. Technology in itself is not the complete answer. The alignment of business strategy with technology decisions enables long term achievement of company objectives.

1 Technology Trends

As one respondent stated, there is an increased focus on "making sure IT is doing everything it can to help manage the portfolio quality in a difficult economy."

The BTPI survey this year produced some interesting metrics and insights into Equipment Finance company thinking. Despite the impact of the economy, IT budgets increased for the sixth consecutive year. While the increase was modest, it follows along with another trend, which is that IT budgets have consistently grown faster than overall operating budgets.

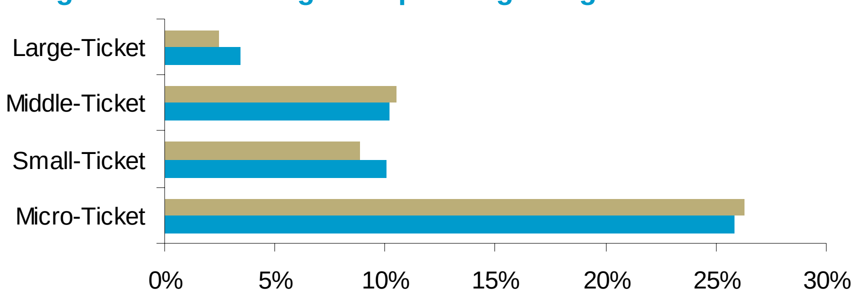
Relative to last year, near term IT initiatives have redirected from system replacement projects to a focus on cost related initiatives—doing more with existing platforms.

In addition, the importance placed on business intelligence improvements has moved up in the survey responses and is now the #2 initiative among respondents. As one respondent stated, there is an increased focus on "making sure IT is doing everything it can to help manage the portfolio quality in a difficult economy." Business intelligence improvements is one of the key areas where IT is assisting companies navigate through the current economic times.

1.1 Spending Trends

The average IT budget for all respondents increased 1.1% to $10,366,000. Operating budgets have increased this year by 0.6%. While this may not sound significant, it is material given last year's overall *decrease* in operating budgets of 3.8%. IT budgets on average, now exceed 13% of overall operating budgets.

IT Budget as a Percentage of Operating Budget



	Micro-Ticket	Small-Ticket	Middle-Ticket	Large-Ticket
Prior Year	26.28%	8.85%	10.53%	2.44%
Current Year	25.87%	10.02%	10.19%	3.42%

1.2 Resource and Staffing Trends

Across all business types, the ratio of IT resources to total resources remains unchanged. An overall 7% reduction in IT contractor resources may be attributed to the increased flexibility required by some Asset Finance companies to expand or contract the business according to prevailing market conditions. Year over year resource metrics by ticket size remained largely unchanged.

1.3 IT Service Delivery

The geographic disbursement of end users is raising the stakes for IT support in many organizations and helping to trigger adaption of global delivery methods. A top IT concern noted by respondents was resource allocation levels and the increased need for support that follows the sun. A few trends have emerged relative to how IT is delivering core support functions:

- A larger acceptance of outsourcing. Outsourced functions are up 38% over 2007
- The use of shared service centers or centers of excellence is also increasing, up 22% over last year
- For the first time in the history of the survey, outsourced and shared service delivery accounted for greater than half (52%) of core IT support delivery methods, with in-house support continuing a trend of declining in favor.

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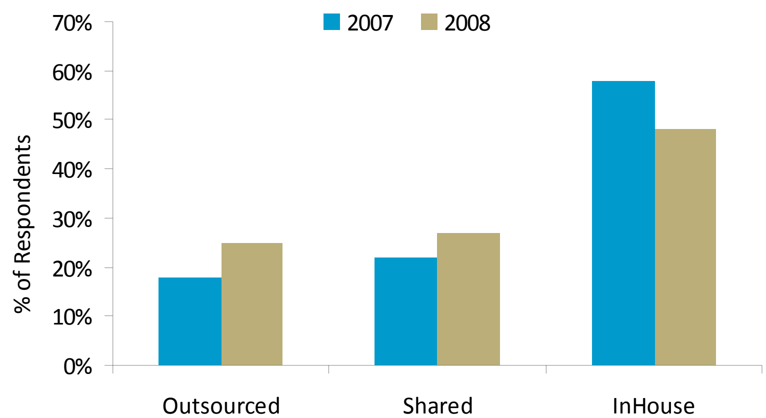
Delivery Methods of Core IT Services



1.4 Industry Solution Vendors

Over the past year, a few well-established industry software vendors have gotten acquired by deep pocketed development shops and a few providers have exited or reduced their focus on the market. Industry software vendors have strengthened their global delivery capabilities, largely through acquisitions by large international software companies. They recognize the industry is demanding lower cost implementations as the industry begins a necessary technology refresh cycle. In our discussions with back end vendors, they are confident that the next generation lease accounting system replacement decisions are getting closer to being made, however survey respondents placed a much lower emphasis on system replacement initiatives than prior years surveys.

Companies have increasingly taken a holistic approach to software application management. They are looking beyond traditional spending to include resource and support requirements to analyze the total cost of ownership and system selection. Global delivery solution models are now in progress for a few (brave!) companies. The industry is paying close attention, as these pioneering efforts have the potential to result in long-term competitive and cost advantages for the companies.

2 State of Industry: Trends & Tech Impact

2.1 The Evolution of the Equipment Finance Industry

In 2007, the addition to the industry association's name of the phrase, "and Finance" was a response to the industry's continuing its transition from leasing to Equipment Finance. We noted that by including all types of Equipment Finance the potential market increased from $220 billion to over $800 billion. Consequently, to serve and retain their customers, members of the equipment leasing and finance industry engage in a range of transactions today, not all of which can be classified as equipment leases or loans, but which still seem have some common elements. The 2007 Industry Future Council identified some of these elements as asset centric, commercial and customer focused with an entrepreneurial approach.

This "new look" in addition to the globalization of the Equipment Finance market (even though "leasing" is the predominate name in Europe), complex products and the entrance of new players have given customers a wider array of product choices and at the same time, commoditized many product innovations. As product differentiation becomes more difficult, an Equipment Finance company's brand value is more closely linked with its customer service.

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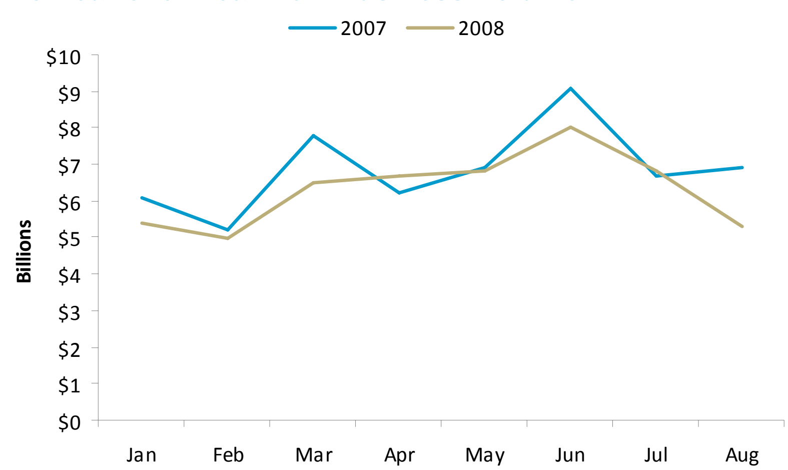
2.2 New Business Volume is Down

The ELFA's Monthly Leasing and Finance Index, which reports economic activity for the Equipment Finance sector, showed overall new business volume for August 2008 decreased 14.5% when compared to the same period in 2007. "The decline in new business volume is likely a combination of capital constraints among lessors and lenders, enhanced underwriting standards and risk based pricing, and some diminishment of demand," said ELFA President Kenneth E. Bentsen, Jr. Although it should not be a surprise, there is now objective data reflecting a significant capital equipment slowdown in the U.S. market.

MLFI-25 Year over Year New Business Volume



There is a sense of urgency for Equipment Finance companies to respond to the current economic conditions. To survive, Equipment Finance companies are focusing on the demands of their customer; growing their core businesses and identifying opportunities to take cost out of their business.

When asked what current IT-related issues are 'keeping you up at night?' one respondent replied *"Globalization of services, improving customer experience and delivering major transformational projects."*

When asked what current IT-related issues are 'keeping you up at night?' one respondent replied *"Globalization of services, improving customer experience and delivering major transformational projects."* There are technical challenges and opportunities associated with each of these areas.

2.3 Global Growth Opportunities

- Competition and spread compression[1] in the US are driving Equipment Finance companies to investigate global growth opportunities. The BRIC countries comprised of Brazil, Russia, India and China rank as the 10th, 11th, 12th and 3rd largest economies respectively and are increasingly attractive to US based Equipment Finance companies. Brazil's Equipment Finance industry is the largest in Latin America generating over $15 billion in revenues. Favorable changes in Russian leasing law are making leasing more attractive than other financing methods for both Russian lessees and foreign lessors. India along with China will continue to be major players in the global economy with an increase in the share of world output along with increased productivity levels and increased demand for capital equipment.
- Technology and Business must be aligned to successfully execute an organization's global growth strategy.
- Survey data indicates that multi-country language and currency support rank near the bottom of short term IT initiatives. However, some companies are opting to outsource IT activities and business processes to mitigate the risk of expanding up global operations and the costs associated with that.

The survey results indicate that 56% of Equipment Finance companies have not implemented a single, centralized CRM system

2.4 A Focus on the Customer

Equipment Finance companies continue to emphasize "share of wallet" and the number of different financial products, and associated services, deployed with each customer. In today's unsettled market, Equipment Finance companies must make the most of each customer contact and strengthen customer relationships—while quickly adapting their products and services to mitigate risk and maximize profitability. The current market underscores a need for differentiation that involves both excellent service and innovative products based on changing customer demands.

The survey results indicate that 56% of Equipment Finance companies have not implemented a single, centralized CRM system. While this may seem out of line with companies focusing on the customer, other customer centric initiatives are ranked high on the list of short term IT related initiatives. The initiatives include, customer self service, business intelligence improvements, and originations system replacement.

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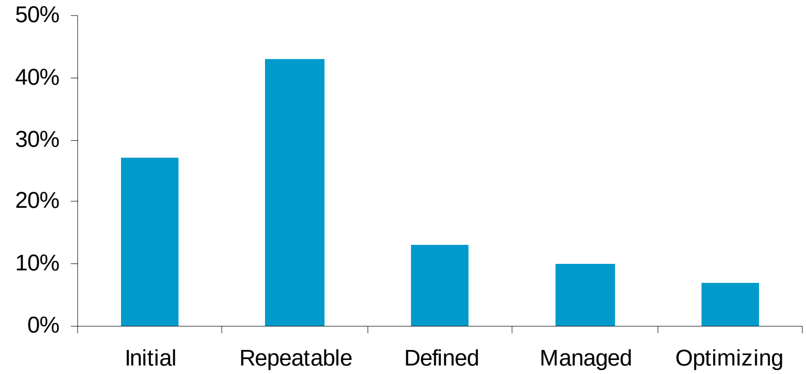
1 At publication, spread compression was acknowledged as prevalent in the industry. However the recent collapse of the credit markets suggests the spreads are expanding rapidly.

Our experience in the market indicates that there is a 7-10 times spend in customer facing initiatives over core accounting initiatives

Respondent's Rating of Their CRM Maturity



A limited number of Equipment Finance companies have responded by expanding their customer-facing channels and adding a variety of self-serve features. To have a positive effect on the customer experience, these outward-facing initiatives must give financiers a better understanding of their customers and integrate front- and back-office activities more completely.

2.5 Will Anything Change in 2009?

Consolidation and companies exiting the market will likely continue for the next 12 months. Chrysler stunned the Auto Finance industry when it announced its exit from the vehicle lease market in late July. Likewise Tygris Capital surprised the market when they rose over $1B in capital and acquired Marcap and US Express Leasing. It's been a mixed bag of outcomes in spite of the collapsed credit markets. Will Banks continue to consolidate and force their Equipment Finance companies to compete for capital? Will we witness new independent Equipment Finance companies entering the market? There is no certain answer except that financing assets will remain a viable source of capital in the market, and the market will continue to become more competitive.

To address these trends, the investment in CRM systems and the exploiting of every conceivable channel (internet, cell phone, smart devices, video, voice, person-to-person) will be a primary focus. Interestingly investment will be made in these technologies while simultaneously most of the domestic Equipment Finance market runs on aging back office platforms. Equipment Finance companies will "make do" for another year while the customer gets maximum attention. Our experience in the market indicates that there is a 7-10 times spend in customer facing initiatives over core accounting initiatives. This is unlikely to change and indicates that companies understand the value of the customer and how critical it is to interact with customers in the channels that are important to those customers.

3 Technology Initiatives in an Uncertain Economy: A Focus on Cost

Whether you have the television turned to the local news, MSNBC, CNN, or Comedy Central, a common theme is apparent among the news broadcasts, we are dealing with an uncertain economy. We've heard comments that we are headed for the worst economic conditions since the great depression and that the credit crunch, which began in the real estate market, has emerged as a full-blown financial crisis. Recent headlines have included words like "stocks tumble," "markets in turmoil," "forecasts get gloomier," "irresponsibility," "plan a rescue" and "bailout."

While all of this is going on around the industry, it must still concentrate on the business at hand. Companies must focus on reducing costs while simultaneously positioning itself for long term growth. The question is, how to go about this, especially when technology projects raise critical questions for an organization during such an uncertain time?

Product complexity in the front office has driven increased costs in the back office

3.1 Today's Realities

Companies face the challenge of delivering superior returns to investors by growing operational capabilities while minimizing costs and improving operational efficiency. The question is how this can be achieved against a backdrop of:

- Legacy processes that have not been updated for years or even decades
- Technology platforms that are out of date
- Complex global organizational structures
- Product complexity in the front office has driven increased costs in the back office

3.1.1 Cost Transformation

With this latest bout of economic upheaval causing concern and anxiety, cost management is again a focal point for Asset Finance. The evaluation and identification of cost saving drivers and strategies is a relatively straight forward process. For example:

- Labor arbitrage: Wage inflation can quickly be measured to the cost of living changes and cost saving adjustments which are in line with the industry can be implemented. Attrition rates can provide a key indicator of where labor arbitrage changes can be made to impact costs.
- Process transformation: A review of the level of process standardization can provide a snapshot of where to reduce costs. Evaluating manual processes for automation is another option.
- Strategic initiatives: Evaluating the current product offerings will typically point to areas where costs can be saved. Products which lead to front and back office complexity can be candidates for modification or elimination. Alternatively an

evaluation of current channel delivery strategies or looking to new channels may provide lower cost avenues of delivering services for customers.

However, implementing cost saving strategies is difficult due to a number of factors.

- Cost savings touch every part of the organization, even if not directly
- Finding the right balance can be tricky as reducing costs in one area may increase costs in another
- The right solution has to be found based on the organizations appetite for risk and payback period

The challenge companies' face is determining which cost saving strategies can deliver the desired outcome.

Developing a cost saving strategy that maximizes efficiency without compromising growth potential is a tricky proposition

3.2 Cost Saving Strategies

Developing a cost saving strategy that maximizes efficiency without compromising growth potential is a tricky proposition. Outlined below are a few cost saving strategies which should be considered when it is time to "do more with less".

3.2.1 Technology enablement

Too frequently, organizations implement technology solutions without appropriate recognition of their impact on the business, the people, and the environment. This in turn leads to increased spending with very little benefit. Technology enablement involves the selection and implementation of appropriate technologies to meet defined business goals and objectives. Selecting the right solution requires an understanding of an organization's strategy and vision, as well as the specific requirements around business processes that will be improved.

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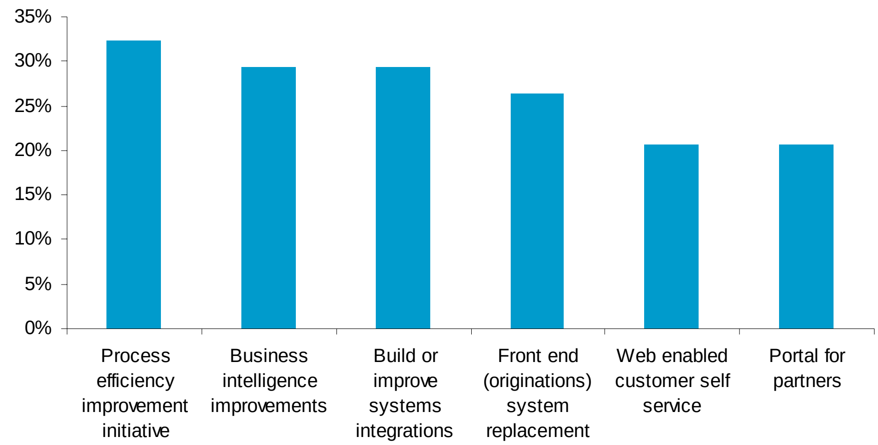
BTPI responses demonstrate an emphasis on building or improving system integrations, front end (originations) system replacement and building web capabilities for customers and partners within the next 18 months as possible technology enablement projects. The goal of these projects is improved operational efficiencies by streamlining the technologies which serve key business functions.

3.2.2 Business process reengineering

Business reengineering combines the adoption of a process view and the application of information technology into a new framework. The key to business process reengineering is for an organization to look at their business processes from a "clean slate" perspective and determine how to construct their processes to improve how they conduct business. This doesn't mean an organization can't start from the current "as-is" process, but it is critical to eliminate non-value adding work and redundant steps. It is also just as important to look at best-practices and industry standards, focusing on the outcome not just the tasks. The overarching objective of business process reengineering is to gain permanent customer satisfaction as a means for future growth.

Business process reengineering enables rethinking and redesign of business processes to achieve dramatic cost savings and drive future growth. Companies see this cost saving strategy as the key initiative over the next 18 months with almost 32% of the respondents stating they will undertake process efficiency improvements. When you add to this customer self service (an extension of rethinking processes) and other process oriented initiatives, virtually all respondents are re-thinking processes and process delivery as a means of reducing costs.

Percentage of respondents undertaking the following IT initiatives in the next 18 months



3.2.3 Re-thinking the organizational design

There are many solid reasons for changing the design of the organization and it can result in very significant benefits from a cost perspective. It is important to understand the current roles and responsibilities and how these relate to current processes, as well as the impact of any process changes on existing roles. Doing this will define the 'gaps' in existing roles which will make any structural changes effective. From here roles can be designed or aligned to support the changes in the business. The goal for organization restructuring is increased organizational effectiveness by changing the structure of a company to ensure the right resources are doing the right jobs. In performing this type of review, companies are increasingly focused on outsourcing.

… this year's respondents have indicated that better than 25% of core IT service delivery is being outsourced which is a big increase when compared to 2007

3.2.4 Outsourcing

Outsourcing involves the transfer of management or day-to-day execution of an entire function to an external provider. Although, Asset Finance has historically been behind the curve when it comes to this initiative, this year's respondents have indicated that better than 25% of core IT service delivery is being outsourced which is a big increase when compared to 2007. Although direct labor arbitrage cost saving is one of the biggest reasons to consider outsourcing, there are other non-direct cost saving reasons to look to outsourcing. Outsourcing should also be considered for cost restructuring (moving from variable to fixed costs), operational expertise (implementing best practices may be too difficult or time consuming to do in-house), or for staffing issues (access to a larger talent pool and longer lasting source of skills).

3.2.5 Offshoring

For many people there is no difference between outsourcing and offshoring. However, offshoring is defined as the movement of a business process done at a company in one country to the same or another company in another, different country. The primary driver of this initiative is moving due to a lower cost of operations in the new location. For example, given the time and costs associated with training new personnel, it becomes difficult to maintain quality service at a low cost and lower employee turnover is one cost saving technique. If a 24/7 operation is a critical element for your operation than offshoring may be a viable solution.

3.3 Understanding and Solving the Problem

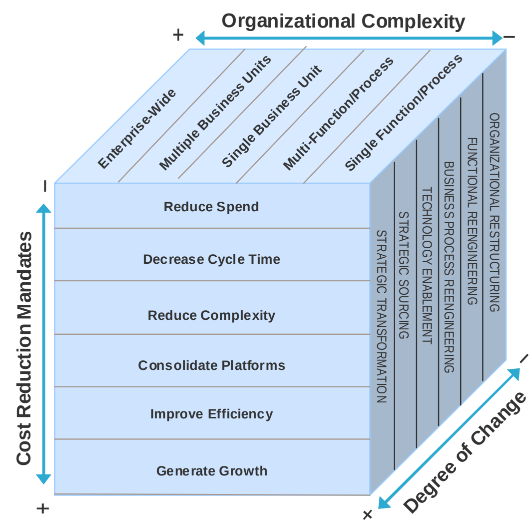
The first step in successful cost transformation is assessing the situation. Once the organization understands what issue it is really facing, it can look to chart a course of action and create a plan.

3.3.1 Assessment of the situation, adversity to risk and change

If an organization is lucky, there will only be one single process which is being evaluated to reduce spend. However, more than likely the organization has a multitude of initiatives they must undertake. Assessing the situation requires a review of three critical elements:

- Cost reduction mandates
- Organizational complexity
- Degree of change

Complexity of Change



It is important to remember reducing costs can occur across many operating groups and be tackled from different angles. Cost reduction strategies must be evaluated across the whole enterprise not just in a silo, as reducing cost in one area may increase cost in another. Understanding the desired degree of change and the impact that change would have on the organization and its customers should be a factor in the transformation planning. Likewise, evaluating the organization's adversity to risk and the payback period are inputs as well.

3.3.2 Looking inwardly

After coming to terms with the problem at hand, it is necessary to focus inwardly and evaluate the tools, products, and resources available. Only after this can a cost benefit analysis be done to ensure implementing the cost saving strategy is truly cost effective.

BTPI respondent's focus on KPIs and measurements is fairly limited. 66% of companies responded that KPIs were done on a department specific or very limited basis in their organizations

A few questions to ask in coming up with this assessment include:

1. Are your processes still manual or semi-manual?
2. Are you using an enterprise system and/or integrating with other enterprise systems to create a fluid transfer of data?
3. Are you taking advantage of the capabilities of your technology solutions? If a new feature is available, does this provide additional product offerings which you hadn't considered previously or does the new feature allow you to automate something which has been manual?
4. Have you cut out the fat in your front end processing?
5. Are your resources adequately trained?
6. Are you properly staff in key areas?

After all of the key questions have been answered, it isn't as simple as starting at the top of the list and implementing change. Each option must be evaluated from both a short and long term perspective and from a cost / benefit analysis.

3.3.3 Looking outwardly

After the internal evaluation, look at what is going on outside the organization. Look outward and benchmark against the industry and do a comparison against other similar organizations.

One of the best ways to evaluate one organization against another is to compare Key Performance Indicators (KPIs). KPIs help an organization define and measure progress toward organizational goals and industry standards. KPIs are used to assess the present state of the business and to assist in prescribing a course of action. Without KPIs it is very difficult to assess the current state without using a "gut feel" approach.

BTPI respondent's focus on KPIs and measurements is fairly limited. 66% of companies responded that KPIs were done on a department specific or very limited basis in their organizations.

... cost saving strategies are top of mind in the Asset Finance industry

A few activities which could be measured and where good industry benchmark is available[2] include:

- Turnaround time
- Residual realization to target
- Percent of customer returning, renewing, purchasing, in month to month renewal
- Percentage of dollar volume booked / funded
- Percentage of dollar volume approved
- ROA, ROE, etc.
- Percent of application processed as a percentage of applications submitted
- Percent allocation of FTE employees by department
- FTEs by new business volume and portfolio size

3.3.4 Developing a Transformation Methodology

Beginning any cost saving strategy requires an examination of What, When, How and Where.

- **What** areas of the company can be considered for cost saving initiatives? Be sure to consider regulatory issues, skill sets, and propriety information.
- **When** can the transition occur? Does something else need to happen first?
- **How** can the transformation be executed? Which operating model is appropriate? Do we have expertise and resources in place? Are there enough providers so that we have enough negotiating power?
- **Where** should the processes be located? What are the cost differences in various locations? Are the processes labor-intensive?

As the survey respondents can attest, costs saving strategies are top of mind in the Asset Finance industry. Successfully executing those initiatives can make an important difference for company survival.

2 Note: an increasing number of benchmarks are available in ELFA industry publications

4 Capgemini Point of View

In today's uncertain economic times, Equipment Finance providers are constantly challenged to be more competitive on every level and in every channel. Companies face competition from foreign and domestic sources, from traditional sources of capital to emerging players and from high-touch to low-touch competitors. This competition is not abating. In fact it's increasing. To identify and defend your position in the market is of paramount importance. However, the market does remain static, so the ability to dynamically adapt is important to long term survival and success.

At Capgemini we pursue a model we call i^3. The three "i's" are **intimacy**, **innovation** and **industrialization**. We seek to bring these to our clients in the way we interact with them and in how they interact with their customers and the marketplace. We look to assist customers to industrialize operations, creating repeatable and superior results for example, while helping them build delivery channels that foster customer intimacy. We seek to build new solutions and products that can drive innovation for our customers. We do this religiously and with the knowledge that each element of i^3 is an important part of a successful strategy in today's market reality.

Meeting your customer's needs when and where they want is quickly becoming the standard for customer service excellence.

Software and technology are enablers of capabilities and processes designed to maximize core competencies and drive competitive advantages. Given the flat spending in the industry, technology initiatives need to focus on working smarter, getting closer to customers, industrializing best practices and lowering cost. To date the industry has made limited use of low cost centers such as India, Central America and China. As the industry continues to globalize, offshoring of business processes, that have been built to support innovation and intimacy, will grow. In fact, we expect to see an accelerated interest in industrialization of processes to lower cost mostly driven by off shore centers. We see this already in several captive Equipment Finance provider operations and anticipate that it will migrate to banks and independents quickly over the next few years.

Lastly, we believe that winners are separated from the pack largely by how they interact with their customers. Certainly cost containment and reduction is important, but customer intimacy promotes a long term competitive advantage. Meeting your customer's needs when and where they want is quickly becoming the standard for customer service excellence. We see increased interest in channel development across every conceivable channel, not just the Internet as we have seen in the past. European banks are setting the industry standard with this multi-channel approach. This should serve as a wake up call for domestic Equipment Finance companies to explore new channels and shore up existing ones.

5 Survey Response Statistics

The following section of the report provides a summary of the responses to the survey. Because respondents did not always provide information for each question, each table in the survey may have a different number of respondents.

1. Profile of respondents by type of Equipment Finance provider	
Bank	10
Captive	9
Independent	15
Total respondents	34

2. Profile of respondents by market segment	
Micro-ticket	4
Small-ticket	16
Middle-ticket	11
Large-ticket	3
Total respondents	34

3. Profile of respondents by annual volume ($USD)	
Under $50 million	9
$50 - $250 million	5
$250 million - $1 billion	11
Over $1 billion	9
Total respondents	34

4. Average operating and IT budgets for all respondents (000 omitted)

	2008 fiscal year	2007 fiscal year	% increase (decrease)
Operating budget	$79,592	$79,089	.6%
IT budget	$10,366	$10,257	1.1%
IT budget as a % of operating budget	13%	12.9%	.4%

5. Company headcount data (average for all respondents)				
	Current year Full time employees	Prior year full time employees	Current year contractors	Prior year contractors
Total company	2,004	1994	52.1	53.7
IT department	64.7	64.1	22.7	24.3
IT as a % of total company	3.2%	3.2%	43.6%	45.3%

6. Methods of service delivery for various IT related activities (by percentage of overall respondents)			
Activity	Outsourced (third party) service delivery	Corporate shared service delivery	In house service delivery
Desktop support	18%	27%	55%
Application help desk	18%	27%	55%
Application custom development	36%	15%	49%
Data center support	21%	30%	49%
Offsite / co-located data center	33%	36%	30%

The following seven (7) questions focus on the respondents rating of internal capabilities in terms of IT and Operations abilities. The respondents were asked to rate each area based on the following table of maturity definitions:

Initial	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.
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 and 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 and new business.
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 front0-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.

7. How would you rate your company's customer relationship management (CRM)?	
Rating	Percentage of Respondents
Initial	27%
Repeatable	43%
Defined	13%
Managed	10%
Optimizing	7%

8. How would you rate your company's new business processing capabilities?	
Rating	Percentage of Respondents
Initial	7%
Repeatable	27%
Defined	43%
Managed	13%
Optimizing	10%

9. How would you rate your company's back end portfolio servicing capabilities?	
Rating	Percentage of Respondents
Initial	0%
Repeatable	27%
Defined	47%
Managed	20%
Optimizing	7%

10. How would you rate your company's collections and customer service capabilities?	
Rating	Percentage of Respondents
Initial	0%
Repeatable	43%
Defined	40%
Managed	13%
Optimizing	3%

11. How would you rate your company's core accounting (general ledger, accounts payable, payroll) capabilities?	
Rating	Percentage of Respondents
Initial	0%
Repeatable	23%
Defined	37%
Managed	37%
Optimizing	3%

12. How would you rate your company's business intelligence / reporting capabilities?	
Rating	Percentage of Respondents
Initial	23%
Repeatable	43%
Defined	17%
Managed	13%
Optimizing	3%

13. How would you rate your company's compliance and controls capabilities?	
Rating	Percentage of Respondents
Initial	0%
Repeatable	30%
Defined	47%
Managed	17%
Optimizing	7%

14. Average respondent ranking of IT initiatives from 1 (most important) to 6 (least important)		
Initiative	Current Year Avg. Ranking	Change from 2007 Responses
Improvements focused on lowering servicing costs	2.8	(12%)
Improvements focused on controls and compliance	2.9	28%
Improvements focused on business intelligence / reporting	3.0	14%
Improvements focused on new business generation	3.0	(30%)
Improvements focused on product innovation	4.2	11%
Improvements focused on third party services	5.1	(24%)

15. Respondent identification of top 3 IT related initiatives to be undertaken with the next 18 months	
Initiative	**Number of Responses**
Process efficiency improvement initiative	11
Business intelligence improvements	10
Build or improve systems integrations	10
Front end (originations) system replacement	9
Web enabled customer self service	7
Portal for partners	7
Back end (servicing) system replacement	5
360 degree view of customer / CRM	5
Compliance improvement initiatives	5
Consolidate multiple front end platforms	5
Buy or build business specific applications	3
Consolidate multiple back end platforms	3
Invoicing / payment processing initiative	3
Expand financial product offerings	3
Outsourcing of systems / applications	2
Development of additional marketing channels (web, mobile, branch, direct sales, etc)	1
Multi country (language and/or currency) support	1
Outsourcing of systems / applications	1

16. Number of front-end systems (system applications) included in respondents pre-booking processes (including CRM, application submittal/tracking, pricing, credit, documentation, funding, etc.)	
Average	3.5
Low	1
High	12

17. Respondent information on front-end system applications	
Average number of licensed users	323
Percentage of respondents with web-enabled front-end	96%

18. Customer Relationship Management (CRM) application information	
Activity	**Number of Affirmative Responses**
Does the company have a single, centralized CRM application	14
If CRM is not centralized, does sales force use decentralized contact management applications to track customers and leads	10
Is your CRM application web enabled	8

19. Respondent information on CRM system applications	
CRM application vendor	**Number of Responses**
Act	7
Siebel	5
Goldmine	4
Salesforce.com	2
Finesse	1
Internally Developed	1
LeaseCRM	1
Lotus Notes	1
Outlook BCM	1
Saleslogix	1
SugarCRM	1
Vision	1

20. Number of back-end systems (system applications) included in respondents post-booking processes(including lease/loan accounting, general ledger, asset management, remarketing, collections management, etc)	
Average	2.8
Low	1
High	26

21. Respondent information on back-end system applications	
Average number of licensed users	407
Percentage of respondents with web-enabled back-end	16%

22. Respondent internal focus on leading practices	
Committed organizationally to keeping updated on them and implementing them as needs arise	44%
Focus on leading practices is more department specific and implementation done on an ad-hoc basis	28%
Highly committed to keeping abreast of them throughout the organization	19%
None / limited focus on leading practices	9%

23. Respondent preference towards core, front-end origination and back-end servicing system applications	
Purchasing an enterprise wide, package based solution from a single vendor	50%
Purchasing best of breed package based solutions from multiple solution providers	31%
Building a custom application(s) tailored to your company needs	19%

24. Integrations across the respondents core system applications (front-end, back-end and general ledger) are best described as follows	
Multiple best of breed solutions integrated on the front end and a single vendor solution on the back end	41%
Multiple best of breed solutions integrated across the enterprise	25%
All front-end systems from a single vendor and multiple best of breed solutions integrated on the back end.	16%
None / multiple non-integrated applications	12%
All system applications are part of an enterprise wide solution from a single vendor (e.g. Oracle, SAP, Seibel, etc.)	6%

25. Respondent internal focus on Key Performance Indicators (KPIs) and measurements	
Focus on KPIs and measurements is more department specific with implementation on an ad-hoc basis	47%
Highly committed to developing measurements and measuring activities throughout the organization	22%
Limited focus on KPIs and measurements	16%
Used widely throughout the organization but focus varies	12%
None	3%

26. Respondent company reporting and business intelligence activities are supported by the following approaches (note: respondents have selected all approaches that apply)	Number of Responses
Use built-in reports and tools included in each application and manually combine data where needed	15
Use business intelligence tools to mine and report data from each core application	10
Currently aggregate and report data from a repository (data warehouse / mart) of all core applications	9
None / Manually construct reports from output of each application	0

27. Respondent company web based offerings for customers (note: respondents have selected all that apply)	Number of Responses
Customers can request support (e.g. customer service, sales)	17
Customers can request changes to contract / asset information (e.g. address change)	12
Customers can view all contract / asset information	11
Customers can view payment history information	11
Customers can view balance and payoff quote information	8
Customers can initiate payments	5
Customers can request funding under a line of credit or master agreement	4
None	3
All originations function including application, status, docs	1

28. Please specify your level of agreement or disagreement with the following statements as they pertain to your organization (Somewhat Agree, Agree, Strongly Agree, Somewhat Disagree, Disagree, Strongly Disagree).

	Strongly Agree	Agree	Somewhat Agree	Somewhat Disagree	Disagree	Strongly Disagree
Preference to outsource back office functions	0%	13%	6%	22%	38%	22%
Core back-end system(s) meet current needs	13%	28%	28%	19%	9%	3%
Back-end system(s) meet future needs	3%	22%	25%	19%	22%	9%

28. Please specify your level of agreement or disagreement with the following statements as they pertain to your organization (Somewhat Agree, Agree, Strongly Agree, Somewhat Disagree, Disagree, Strongly Disagree).

	Strongly Agree	Agree	Somewhat Agree	Somewhat Disagree	Disagree	Strongly Disagree
Core front-end system(s) meet current needs	13%	25%	41%	9%	6%	6%
Front-end system(s) meet future needs	9%	28%	25%	16%	16%	6%
IT operations need to support global business	25%	13%	13%	13%	25%	13%
IT decisions and business requirements align	25%	34%	34%	6%	0%	0%

29. Please specify your level of agreement or disagreement with the following statements about how the current economic conditions impact IT decision making in your organization (Somewhat Agree, Agree, Strongly Agree, Somewhat Disagree, Disagree, Strongly Disagree)

	Strongly Agree	Agree	Somewhat Agree	Somewhat Disagree	Disagree	Strongly Disagree
All major projects are now on hold	0%	3%	13%	6%	47%	31%
Projects are focused on reducing costs	3%	28%	25%	16%	16%	13%
Major initiatives have been pushed back	0%	6%	31%	25%	22%	16%
Project spending is continuing as planned	9%	41%	25%	16%	9%	0%
Focus: maintain existing systems limit costs	9%	19%	22%	16%	22%	13%
Projects focused on increasing new business	6%	41%	16%	34%	3%	0%
Project focus on expanding into new markets	0%	22%	38%	22%	19%	0%
Organization taking a wait and see approach	0%	9%	22%	25%	28%	16%

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