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EQUIPMENT LEASING AND FINANCE ASSOCIATION

b t p i

Business Technology Performance Index 2009

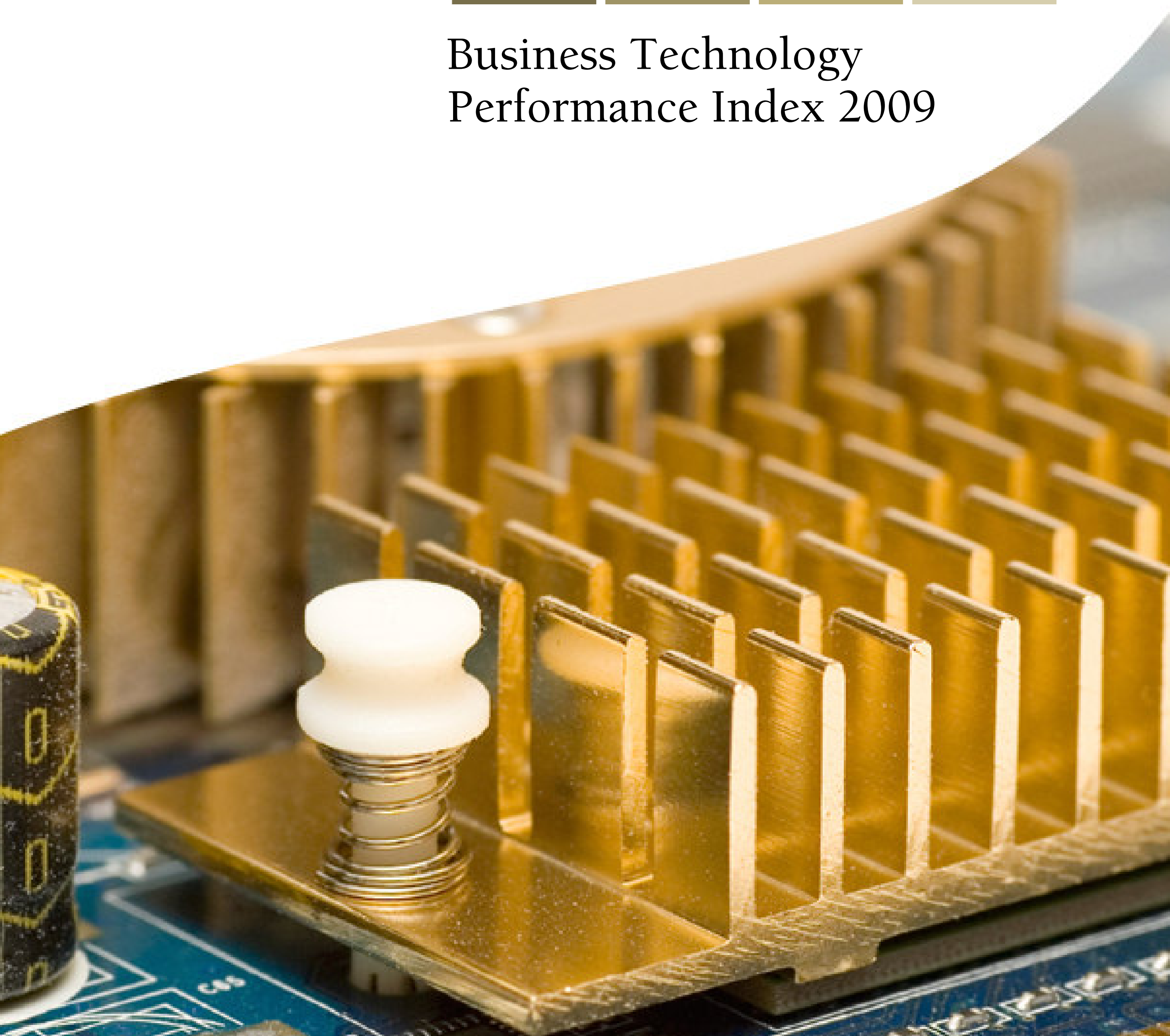

Table of Contents

About the Report

Capgemini has completed the seventh 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 2009 Business Technology Performance Index (BTPI) was written and compiled during the period from August to October, 2009. It is based on industry research and responses from 31 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 (ELFA) Regular Members were welcome and invited to provide data online or through Excel-based forms. All those who participated received a free advance copy of the report before the 2009 ELFA Annual Conference.

The 2009 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. The BTPI report focuses specifically on trends in technology and operations, and their adoption. Other ELFA and ELFF resources were used to support data and conclusions found in this report.

About the Authors

The authors of the 2009 BTPI are part of Capgemini's Asset Finance 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. This group is part of the 92,000 person Capgemini consulting business which operates in 36 countries around the world with 2008 revenues of €8.7B. The authors and contributors to this report include: Josh Bridge, David Byrne, Steve Byrnes, Michael Donnary, Vinay Kamulkar, Ken Kelliher, Cameron Krueger, Lawrence Latvala, Bryan Parfitt and Amish Patel.

The authors would like to thank all the participating companies and Capgemini associates who assisted with this report. We would also like to thank Robert Peterson, Kjell Stronen and Per Hegdahl from International Finance and Leasing Association (IFLA) for helping to gain participation from their members. 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 2009 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 efforts to drive their companies into new markets, new opportunities and improved operations.

In the 2009 edition of this report we are happy to report success in a dedicated effort to expand the report to a global audience. With close to 30% of the respondents coming from Europe and Asia-Pacific region based firms, the survey results and this report truly reflect the dynamic nature of the global equipment finance market.

The main objective of this report is to help readers understand the current thinking of market leading Equipment Finance firms across the globe, relative to decision processes associated with technology initiatives. This report provides insight into operations and technology trends and the state of technology. The findings of this report can help guide the construction of business plans and new technology strategies to support those plans. The BTPI can assist companies in becoming well informed to efficiently narrow the search for solutions and make it easier to identify market leading technology opportunities.

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 client reference list that includes 15 of the top 20 Equipment Finance companies, as listed in the 2009 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

Seven years of the BTPI survey, literally hundreds of respondents participating, and after all of this time, we finally received the answer we have all been searching for: The question to the respondents was "What are the IT issues that keep you up at night?" and the response – "I sleep well."

I Sleep Well

In this time of a down market, scaling back and a major downturn in equipment finance activity (and profitability), this was one of the last replies we were expecting to hear. Couple this with the generally outdated state of technology in the industry and we wondered - how can this be right?

Looking back over the history of the survey and looking at this year's responses provides some interesting insights and perhaps some reason to share this optimism.

- IT spending is up – a 4% increase – for a seventh straight year (in a year when overall operating budgets decreased substantially – greater than 13%)
- This and last years' surveys, while conducted in challenging economic times, reported companies largely pursuing major initiatives and not taking a "wait-and-see" approach – better than 60% of respondents

While companies are generally not investing in replacing enterprise-wide solutions, the tactical spending that is occurring seems to be delivering tangible results.

While companies are generally not investing in replacing enterprise-wide solutions, the tactical spending that is occurring seems to be delivering tangible results. IT and operational capabilities that have historically rated as the weakest by respondents – Customer Relationship Management (CRM), Business Intelligence (BI) and Web capabilities – have made significant strides.

- CRM capabilities improved 15%
- BI capabilities jumped up 30%
- And, there was a large number of respondents reporting increased self service capabilities being delivered to customers

Remarkably, every single operational category reported a substantial improvement in capabilities!

In some of the more pessimistic responses to the survey we heard, 'My technology is older', 'I am not well equipped to innovate' and 'my ability to deliver across geographies is very limited'.

In contrast, the optimist says, I am taking the opportunity of this slow down in the business to improve portfolio management capabilities, I am improving my existing infrastructure and making it run more efficiently and I am delivering operational capabilities based on a detailed cost benefit analysis, and oh, by the way – I sleep well.

1 Technology Trends

The BTPI survey this year highlighted many interesting technology trends. In 2009, the Equipment Finance industry continue to feel effects of the global economic climate.

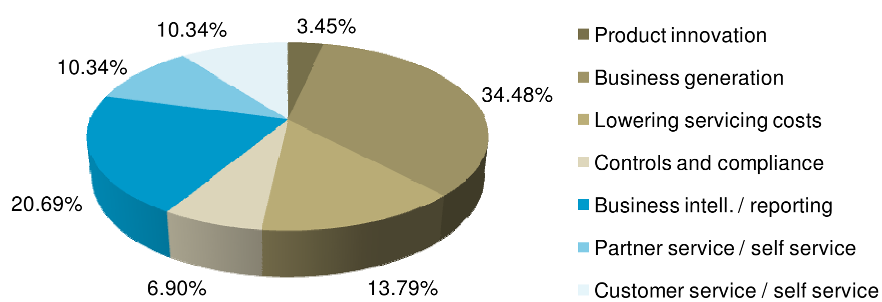
As companies look to position themselves for the future, it appears that there is a focus that has remained consistent over the past three years. The top near-term IT initiatives that companies are undertaking include:

- Process-efficiency improvement initiatives: Critical to realizing full value from systems
- Business intelligence improvements: Gaining a more in depth understanding of the portfolio and its make-up is a critical undertaking in a down economy
- Build or improve systems integrations: A best of breed approach to systems is widespread in the industry – improving how the systems work together creates efficiencies and enhances data integrity.

…a robust front-end system remains high on the "to-do" list of survey responses.

In addition, the importance of a robust front-end system remains high on the "to-do" list of survey responses. As one respondent stated, there is a need to "implement a strong front-end originations platform that is flexible enough to meet the ever-changing leasing needs of our customers." Respondents are also challenged with "providing customer self service functionality, while protecting sensitive information."

Highest Importance for IT Improvements



1.1. Spending Trends

The average IT budget for all respondents increased 4%, and operating budgets have decreased this year by over 13%. These results continue a historical trend that has been well documented over the seven years of the BTPI. Namely, companies see investments in technology as a key driver of long term efficiencies and cost reduction.

Average operating and IT budgets for all respondents (in thousands)			
	2008 fiscal year	2007 fiscal year	% increase (decrease)
Operating budget	$53,926	$62,458	(13.7%)
IT budget	$6,091	$5,859	4.0%
IT budget as a % of operating budget	11.3%	9.4%	20.4%

1.2. Resource and Staffing Trends

The US Bureau of Labor Statistics reports the national unemployment rate in September 2009 at 9.8%, a 4 percentage point increase over September 2008. Across all equipment finance market segments, full time employees decreased 5 percentage points, slightly more than the national average.

At the same time, for survey respondents, the ratio of IT resources to total resources has actually increased 2% to 5.2 percentage points, after remaining unchanged the prior two years.

1.3. Business Intelligence

…many respondents put improving business intelligence (BI) capabilities near the top of their lists.

When asked which IT initiatives are the top priorities for the immediate future, many respondents put improving business intelligence (BI) capabilities near the top of their lists.

The respondents were asked to rate their BI capabilities based on the following table of maturity definitions:

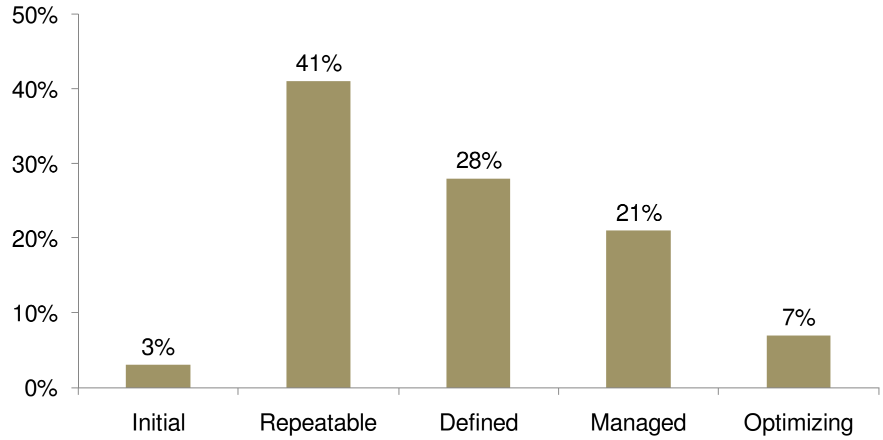
Initial	Ad-hoc processes. Systems not industry standard and do not cover the entire leasing lifecycle. Widespread use of Excel and standalone, non-integrated systems and tools.
Repeatable	Core processes established, although inefficient. Duplication of data entry prevalent. Core systems integration with 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 on 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 for new business origination.
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 front-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.

While 44% of respondents currently define their BI capabilities as being only Repeatable (or worse), fifty percent of respondents have significantly improved their BI capabilities since last year.

However, despite these improvements, BI remains one of three areas (along with CRM and Customer Self Service) where the industry lags behind most financial services sectors and many other industries in general.

…BI remains one of three areas (along with CRM and Customer Self Service) where the industry lags behind…

Level of BI Capability Maturity



What is holding companies back from improving their BI capabilities?

Respondents have an average of four back-office applications, many of which are on outdated technology and lack integration with front-end systems. This best of breed approach creates a constant set of challenges when taking on BI initiatives. These challenges include;

- Developing a SQL compliant data warehouse to overcome outdated technology and provide a reporting platform combining information from disparate applications
- Any refresh of an individual technology can require an overall evaluation and redevelopment of many critical reports
- As data sources increase and stakeholder demands expand, reporting complexity and data integrity requirements increase exponentially

As the equipment finance market continues to be volatile, lessors and lenders need the ability to react proactively ahead of perceived shifts in direction. Any agile course correction requires accurate information, and this is where BI becomes vital.

1.4. Customer Self Service

In today's challenging economic environment, a valuable resource is a happy customer base. To get and keep that resource, respondents are endeavoring to create a fulfilling customer experience – including delivering enhanced customer self service capabilities. An effective customer experience helps reduce the cost of 'churn' and the relatively high cost of acquiring new business and customer service.

How would you rate your customer self service capabilities?	
Rating	Percentage of Respondents
Initial	21%
Repeatable	29%
Defined	29%
Managed	18%
Optimizing	4%

The equipment finance industry has historically lagged many industries in delivering self service capabilities to customers. A simple comparison of what transactions you as a consumer can initiate with your bank, versus what your business offers its customers, is very telling.

Payment processing is something that every equipment finance company does and many do it very inefficiently.

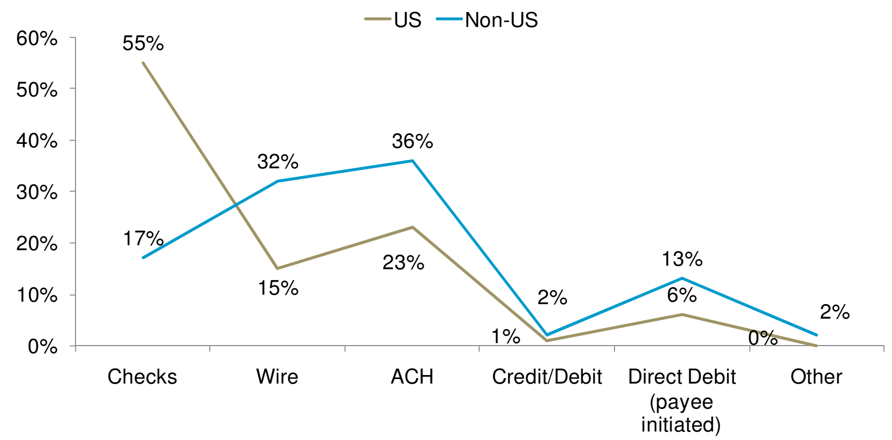
The positive news is that many companies are seeing opportunities in delivering self service capabilities and competitors in select markets (vendor finance, small ticket and asset focused leasing to name a few) are making certain capabilities a "must have." Industry software vendors are also driving adoption of capabilities as they are increasingly offering self-service tools that facilitate working with both customers and partners via the web.

1.5. Payment Processing

Payment processing is something that every equipment finance company does and many do it very inefficiently. It is a mundane activity that lies at the core of all operations – how do we collect and process the funds that keep us in business?

US companies, historically, have largely maintained a "check pay" approach, while Canada, much of Europe and many other countries have migrated to electronic forms of payment. This year's BTPI responses thoroughly support this conclusion. US-based lessors chose checks as the overwhelming favorite with 57% of payments coming in check form, while only 23% of payments received by non-US lessors were in check form.

Payment Types: US vs. Non-US



A recent study by an equipment finance organization concluded that checks are more than twice as expensive to process as ACH.

Payment processing costs for electronic payments (such as ACH) are typically a fraction of the all-in cost of processing checks (a recent study by an equipment finance organization concluded that checks are more than twice as expensive to process as ACH). So why continue with a check dependent approach?

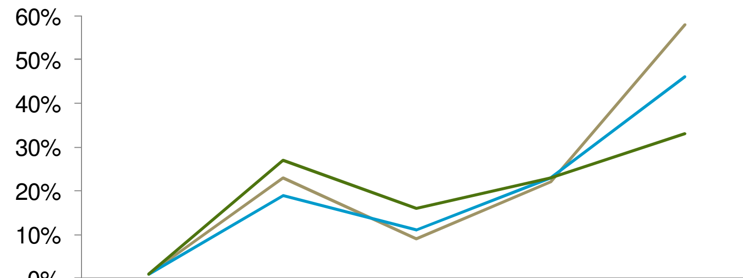
Two answers are typically heard from companies in the US:

- "We can't get our customers to switch over to electronic payments"
- "We don't want to give up the late charge revenue associated with late payments"

A recent **Federal Reserve Payments Study**[1] shows that the leading form of payment continues to be checks . However, the percentages show a significant and steady decrease of check use over the past several years. This decline is being offset by the steady increase in the use of ACH, Debit and Credit cards.

[1] 2006 Federal Reserve Payments Study

Federal Reserve Payments by Percentage



	EBT	Debit	ACH	Credit Card	Check
2000 Estimate	1%	23%	9%	22%	58%
2003 Estimate	1%	19%	11%	23%	46%
2006 Estimate	1%	27%	16%	23%	33%

Companies are not replacing platforms, but instead are working more tactically on improving existing infrastructure.

As the average American consumer becomes increasingly more comfortable with the use of electronic payment types, US lessors will find themselves playing catch-up to their international counterparts.

The questions going forward for lessors should be:

- What payment type options are our customers asking for?
- Can we turn our payment type offerings into a competitive advantage?
- Can our current technology support an increase in non-check payment types?

1.6. Trends Summary

In the seventh year of the survey, certain long established technology trends continue and, in a few areas, the industry is making substantial gains in terms of operational capabilities.

The current economic environment is driving technology spend in the direction of creating more efficient operations, while keeping an eye on improving the customer experience. Companies are not replacing platforms, but instead are working more tactically on improving existing infrastructure. Whether this delivers sustainable infrastructure and longer term competitive advantage remains to be seen. For the time being, technology spend is focused on driving out costs.

2 State of the Industry

2.1. No Panic but Plenty of Uncertainty

The past 12 months have been quite dramatic and unlike anything the asset finance industry has ever witnessed. The collapse of the financial markets has impacted every aspect of the industry and has changed the industry forever. Once venerable players in the market are on life-support and may fail, non-bank lessors are suddenly banks; the federal government is now a major owner of assets and is working to stabilize the credit markets.

Clearly there is every reason to panic, but in spite of the uncertainty, lessors understand the value of the underlying asset. There are impaired assets that will never recover, but many lessors that look bad on paper still have significant and suitable asset coverage. Unlike the mortgage market, where individuals are making hard decisions and see only one way to escape their position, commercial equipment finance customers appear to be making more logical decisions, recognizing that the equipment they lease is vital to their ability to create products and produce value. Similarly, captive finance companies have used their ability to finance their own product to successfully keep pace with demand.

The initial stranglehold in the credit markets is easing and optimism is increasing. Couple this with the internal optimization efforts many lessors are undergoing and there is a platform for future growth. According to our survey respondents, the top ranked initiatives for IT is process improvement – driving out cost and creating sustainability as this period of tremendous uncertainly yields to the market building demand and changes to optimism… next year.

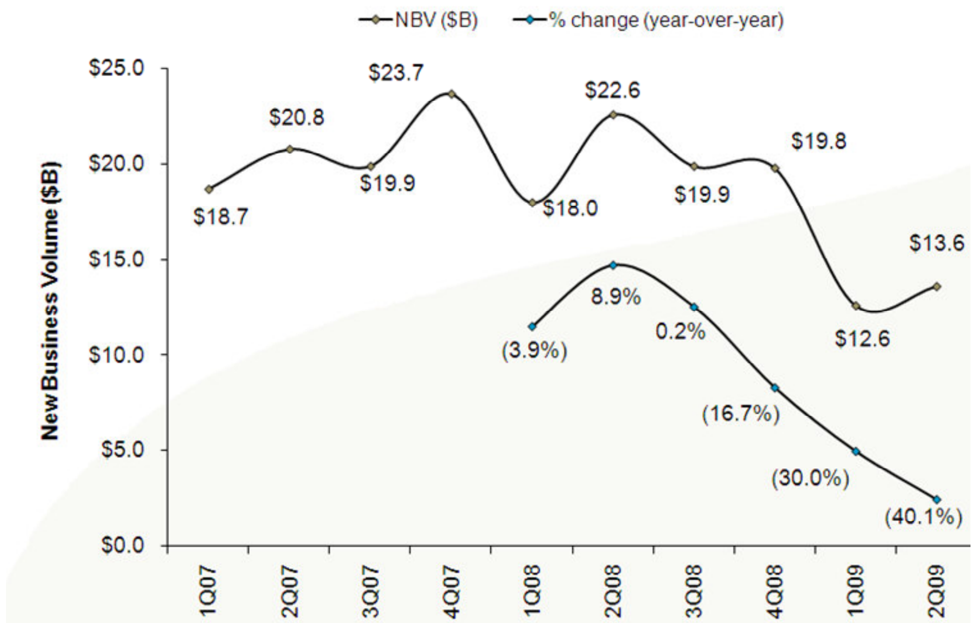
2.2. All Industry Indicators are Down

The ELFA's Monthly Leasing and Finance Index (MLFI), which reports economic activity for the Equipment Finance sector has been depressing this year. As of September 2009, the year-over-year new deal volume was down slightly more than 35%.[2] Charge offs were up. Receivables were up. The monthly confidence index was down. PayNet reported defaults rose in August, as well.[3] Credit approvals were positive, but only because the 2008 numbers were so horrific. In summary, fairly bad news… and much like the news last year.

[2] ELFA Survey of Economic Activity: Monthly Leasing and Finance Index, 9/24/2009

[3] PayNet: More SMBs Default on Loans, Leases in August, 10/7/2009

MLFI-25 Monthly Leasing and Finance Index



Their success is partly related to a strong alignment of their business and IT strategy and a focused control of IT spending.

It is worth noting that some "best of breed" companies like First American Equipment Finance and GreatAmerica Leasing Corp, both of which enjoyed double digit growth in the latest Monitor 100, seem to work against the overall trend and have reported good, if not great, results in these troubled times[4] It should be noted that these two examples are independent lessors who are succeeding while other independents struggle. Understanding what makes them successful and correlating it with trends in the BTPI data set proves useful. In both cases, their leadership attributes much of their success to the outstanding relationships they maintain with their customers and partners. Their success is partly related to a strong alignment of their business and IT strategy and a focused control of IT spending. This results in a laser focus on the customer. This trend is clear in the 2009 BTPI survey results.

2.3. Know Your Customer (KYC)

The customer is an obviously critical part of the financial supply chain. Every year this study seeks to understand the depth of the industry's customer intimacy and every year we note improvement. This year, highlights an increased urgency to know your customer (ironically this applies from the regulatory KYC perspective and the practical application of customer relationship management). The top two initiatives receiving IT attention are focused on customer and partner relationships. In difficult economic times hanging on to what you have, keeping good customers and further strengthening partnerships is seen as a critical component to long term viability. This applies to all lessor segments in different

[4] Leasing Monitor, March/April 2009

ways. Captives need to remain close to the customer to control the asset, banks need to understand their customer's overall financial status and independents need strong partners to help keep business flowing.

Further supporting customer intimacy is the increased demand on Business Intelligence. BI solutions can be a source of incredibly valuable customer and partner data. And, as back-end, accounting, credit/risk and front-end systems have evolved; BI is the glue that binds the data together. BI is also important in more regulated environments where information demands can virtually double overnight. So no matter how it is defined, systems and technology that help understand, strengthen and deepen relationships are critical, and they are receiving attention and funding.

Equipment Finance companies face a regulatory regime unlike anything they have seen before.

2.4. A Focus on the Regulator

Equipment Finance companies face a regulatory regime unlike anything they have seen before. Bank lessors will tell you that they spend significant time and effort ensuring that they are in compliance with a myriad of federal regulatory requirements. It is not a surprise that two of the top three focuses are business intelligence improvements and building or improving systems integrations - these clearly support the demand for timely and accurate data needed to support regulatory requirements. In 2009 many non-bank lessors received Bank Holding Company (BHC) status and most were quite unprepared for the regulatory demands it places on an organization.

Initiatives focused on meeting these demands are significantly less complex for long-time bank lessors, as they have built systems over a period of time. The new BHC's are still working to catch up and these efforts will continue well into 2010 with incremental improvements year over year.

As the survey responses indicate we have seen the focus on controls and compliance move up in importance, from dead last in 2008.

2.5. Will Anything Change in 2010?

Asking this question of anyone involved in the industry will result in a resounding, "YES!" The industry will evolve, and it is generally thought that it will evolve for the better. While Chrysler stunned the Auto Finance industry when it announced its exit from the vehicle lease market in late July of 2008, GMAC came back, in 2009, financing a broad array of vehicles – even looking beyond Chrysler and GM vehicles in 2010. Tygris Capital surprised the market in 2008 when they rose over $1B in capital and acquired Marcap and US Express Leasing. In 2009, they are struggling along with many independent lessors.

The markets will rebound and demand will return. Should the US economy have to endure a double-dip recession, it will simply take longer and, unfortunately, this will result in some lessors exiting the market. Only the strong will survive. Banks and Captives are the best source of hope in the industry, now, and in 2010. There is no strong indication that the independent lessor will thrive in the near term, but historically, the independent lessor does rebound and will again find a home in the financial supply chain.

Operationally, the next twelve months will be a period of controlled spending focused primarily on activities that drive out cost and create a deeper relationship with customers and partners. The results of this survey clearly indicate a predisposition to build for efficiency. Thus, large lessors will likely become more efficient, but potentially less flexible, thereby creating an opportunity for the agile, entrepreneurial independent lessor. Furthering this will be the unavoidable regulatory issues that will face bank owned lessors. For some, the regulatory requirements regimen may outpace their ability to comply and this, too, could result in opportunity in the market. Uncertainty breeds opportunity and 2010 will be a good year for spotting and capitalizing on it.

3

The Flexible Equipment Finance Organization: A Basis for Renewal

Technology for most companies in the equipment finance industry is dated, if not antiquated. Technology trends, long confirmed by this survey, point to limited long-term infrastructure investment and the deployment of a very tactical approach to delivering on the needs of the day. Unfortunately, by the time the delivery takes place, the needs have often moved to a new day.

Looking outside of the equipment finance industry, a new paradigm for technology strategy and investment is emerging - one that is more flexible and forward looking; perhaps it is something worth considering.

Technology trends, long confirmed by this survey, point to limited long-term infrastructure investment and the deployment of a very tactical approach to delivering on the needs of the day.

As the desire for discrete risk planning increases, the event horizon of every organization becomes more unpredictable. The forces of competition, whether local or global, play out over a landscape that is by definition conspiring to constrain choice, diminish speed to market, and increase opportunity cost. Free will for any business ultimately collides with what turns out to be the shocks of a not-too-distant future, shaped by forces that are growing in complexity and straining the organizational capacity to react and adapt to endless change. We believe, however, that the sustainable basis for success, in any market, is unchanged over time.

The flexible organization and enabled enterprise can prosper in almost any environment without having to read tea leaves or fear the possible outcomes of uncontrollable forces. In this self-directed view of success, IT can partner with business to help foster product and process innovation, increase speed and responsiveness in customer interactions, and open communication across channels.

Predictive operational flexibility will not eliminate the risk of a perfect storm that threatens survival or presents new paradigms, but it will enable any organization to exploit market trends or explore new markets, while better calibrating the risk and shrinking the cost of doing so – even under environmental duress. Equipment finance companies that want to thrive in uncertain times must build the basis for ongoing operational flexibility. Increasingly, leading organizations are undertaking "shaping exercises" to test the evolution of market models and how they can unlock value through process and technology innovation.

3.1. IT Thrives as Business' Best Friend

As equipment finance companies spawn new business models to steer through the greatest recession in decades, they need to look intently at how to build flexibility into all aspects of their organization. Technology has given rise to business models that were unavailable during prior market turbulence.

Andy Mulholland, Global Chief Technology Officer at Capgemini, states the traditional role of IT has been to administer business processes for less cost and greater accuracy in data management. "That pressure continues to be there," he says, "but for most companies, it is not so easy to take money out." This has given rise to a move from long-term IT investments, with fixed-cost purchasing of software, to a pay-as-you-go approach, commonly known as "software as a service". Mulholland says this pay-as-you-go approach means companies are moving away from the constant battle over return on investment. Now they can just expand or contract their use of IT resources as dictated by the size of the business at any one time.

Another emerging concept is that of business network transformation. It is the idea of blurring the boundaries of the traditional company and considering the wider supply chain instead. Companies that do it well can grow more quickly by being more in touch with their customers and developing new products and services faster while at the same time cutting costs by being closer to suppliers.

As business expands in new countries, customer service has to be available first…

3.2. Customer Service First and Last

Customer service is a perfect example. Increasingly, businesses are delivering customer service across channels and globally. It requires that they network agents and operations, data centers, and contact centers. As business expands in new countries, customer service has to be available first, and it also has to be there last when they are taking down the service or the operation as well. Customer service is the point at which the forces of and requirements for flexibility and predictability meet, because it is the most dynamic area of a business.

Where achieving flexibility once would have come at the price of predictability, intelligent networks today enable enterprises to scale services up and down with demand, but retain full operational predictability. Predictability and flexibility are absolutely at the heart of this move – achievable, complementary and delivered without one compromising the other. By delivering a range of online quotation, provisioning and service management tools, intelligent networks mean that customers receive fast and accurate quotations, timely and predictable delivery schedules and proactive, decentralized service management, at the same time as the ability to scale network capacity up or down as needed.

…achieving flexibility once would have come at the price of predictability, intelligent networks today enable enterprises to scale services up and down with demand…

3.3. Reducing the Impact of Unpredictable Behavior in Business Process

According to Forrester Research, 25% of work projects grind to a halt and 63% of projects are delayed because critical decision-makers cannot be reached. Meanwhile 75% of companies take one day or longer to schedule and confirm meeting attendees.

Every business process requires people to interact, make a decision and intervene at key moments. Service oriented enterprises are designing their infrastructure to sense key moments so that they are recognized by the core business applications. In turn, the enterprise communications platform will seek out the required individuals or delegates and create the optimum interaction – phone call, video conference, web chat or conference call – through which they can make timely decisions and intervene.

3.4. Innovation During a Downturn

Enhanced flexibility carries with it the chance to turn what is otherwise only useful analysis of what innovation can do for a business during a downturn into the basis for the next growth spurt. Innovation is the catalyst for performance, growth and even share price. Unless companies want to compete purely on price, the ability to offer sustained innovation is the one pure competitive edge remaining.

… technology forms the enabling infrastructure for all innovation …

One absolute is that technology forms the enabling infrastructure for all innovation – sometimes in surprising ways. Companies need to look closely at how best to build a framework that takes their ideas further, faster. New collaborative tools – which take their cue from social networking sites – are now showing their value in organizations, and making collaborative idea-sharing and development more powerful and straightforward than ever before. They can unlock the value in a corporate network.

There are indications that companies weathering the economic downturn the best are those with global operations. They are connected to more markets, including those where there is still growth like India, China, Brazil and Russia. Investing in infrastructure is not easy right now. It is possible that cloud computing can enable a company to pay for the services and applications it needs and wants, without having to buy the physical hardware and expertise to host and maintain it all.

Clearly, there is no single technology thread that enables the flexible enterprise. What is suggested here is that there are many opportunities for improvement that in combination may help equipment finance companies to foster greater success going forward.

4

Capgemini Point of View

One year ago, no one could have predicted how different our industry looks today. Strong companies are gone or struggling, governmental oversight is at an all time high and not abating, and capital markets are tight – to say the least. That said, we are gaining a common understanding of what the business model will need to include going forward. Regulatory scrutiny will slow its meteoric rise and attain some manageable level (and cost), but it will eventually permeate every segment of the market. This trend will be followed by an even greater era of transparency for the lessor and lessee.

While we look extensively at how asset financiers view their customer in this study, the industry needs to understand that the relationship is reciprocal, driven by mutual benefit and becoming more homogeneous. With increased transparency and technology enabled market knowledge (a.k.a. the Internet) solid relationships with customers and partners will remain important. We can no longer rely on high switching costs to retain relationships; the market demands real relationships with real mutual benefit.

…many asset finance companies have been quietly reinvesting in customer facing technology to drive up intimacy and drive down costs.

To achieve this type of relationship in a profitable manner requires a solid IT infrastructure and growth plan. Constant innovation in customer facing activities – everything from product innovation to asset management and customer service – is the only way to remain relevant to your customers and partners. Being a nondescript financing source simply is not sustainable and the speed at which competitors innovate should help direct the incumbent's investments in customer relationship tools and techniques.

The underlying technology platform is not core to success today. Successful companies frequently use antiquated lease/loan platforms. As long as IT solutions can support product innovation, the customer does not care. No asset finance company can claim a competitive advantage based on their core back-end solution. Conversely, many can claim a sustainable competitive advantage based on their customer facing processes and IT systems – Web tools, on-line payments, asset data, etc. Of course one-size does not fit all and technology cannot replace poor underlying processes, procedures or products. But many asset finance companies have been quietly reinvesting in customer facing technology to drive up intimacy and drive down costs.

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	11
Captive	7
Independent	13
Total respondents	31

2. Profile of respondents by market segment	
Micro-ticket	5
Small-ticket	12
Middle-ticket	12
Large-ticket	2
Total respondents	31

3. Respondents' Headquarters Location	
Type	Percentage
Australia	7%
Czech Republic	3%
Italy	3%
Japan	3%
Norway	3%
Sweden	3%
Switzerland	3%
The Netherlands	3%
USA	72%

4. International Coverage	
Percentage Operating in more than 1 country	43.3%
Average Number of Countries	5.5

5. Percentage of new-equipment leasing- and lending-business volume booked in the most recent fiscal year by Region	
North America	73%
Asia Pacific	5%
EMEA	22%
South America	0%

6. Average operating and IT budgets for all respondents (in thousands)

	2009 fiscal year	2008 fiscal year	% increase (decrease)
Operating budget	$53,926	$62,458	(13.7%)
IT budget	$6,091	$5,859	4.0%
IT budget as a % of operating budget	11.3%	9.4%	20.4%

7. 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	339	347	57	54
IT department	18	19	6	6
IT as a % of total company	5.2%	5.4%	9.6%	10.2%

8. 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	16%	29%	55%
Application help desk	23%	23%	55%
Application custom development	32%	16%	52%
Data center support	23%	32%	45%
Offsite / co-located data center	38%	38%	24%

The following nine (9) 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 on 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 for new business origination.
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 front-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.

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

Rating	Percentage of Respondents
Initial	14%
Repeatable	46%
Defined	29%
Managed	11%
Optimizing	0%

10. How would you rate your company's new business processing capabilities?	
Rating	Percentage of Respondents
Initial	7%
Repeatable	7%
Defined	46%
Managed	33%
Optimizing	7%

11. How would you rate your company's back end portfolio servicing capabilities?	
Rating	Percentage of Respondents
Initial	3%
Repeatable	20%
Defined	47%
Managed	10%
Optimizing	20%

12. How would you rate your company's collections and customer service capabilities?	
Rating	Percentage of Respondents
Initial	3%
Repeatable	23%
Defined	41%
Managed	23%
Optimizing	10%

13. How would you rate your company's core accounting (general ledger, accounts payable, payroll) capabilities?	
Rating	Percentage of Respondents
Initial	0%
Repeatable	20%
Defined	40%
Managed	27%
Optimizing	13%

14. How would you rate your company's business intelligence / reporting capabilities?	
Rating	Percentage of Respondents
Initial	7%
Repeatable	39%
Defined	27%
Managed	20%
Optimizing	7%

15. How would you rate your company's compliance and controls capabilities?	
Rating	Percentage of Respondents
Initial	0%
Repeatable	30%
Defined	27%
Managed	40%
Optimizing	3%

16. How would you rate your company's customer self service capabilities?	
Rating	Percentage of Respondents
Initial	21%
Repeatable	29%
Defined	29%
Managed	18%
Optimizing	3%

17. How would you rate your company's project management capabilities?	
Rating	Percentage of Respondents
Initial	7%
Repeatable	21%
Defined	45%
Managed	28%
Optimizing	0%

18. Average respondent ranking of IT initiatives from 1 (most important) to 7 (least important)	
Initiative	**Current Year Avg. Ranking**
Improvements focused on new business generation	3.0
Improvements focused on lowering servicing costs	3.1
Improvements focused on business intelligence / reporting	4.2
Improvements on customer service / self service	4.8
Improvements focused on controls and compliance	5.1
Improvements focused on partner service / self service	5.3
Improvements focused on product innovation	5.4

19. Respondent identification of top 3 IT related initiatives to be undertaken with the next 18 months	
Initiative	**Number of Responses**
Process-efficiency improvement initiative	13
Business intelligence improvements	12
Build or improve systems integrations	10
Web-enabled customer self-service	7
Front end (originations) system replacement	7
Consolidate multiple back-end platforms	6
Back end (servicing) system replacement	6
Expand financial product offerings	5
Buy or build business-specific applications	5
360 degree view of customer / CRM	4
Consolidate multiple front-end platforms	4
Portal for partners	4
Invoicing/payment-processing initiative	3
Compliance improvement initiatives	1
Paperless Workflow/Barcodes	1

20. Number of front-end systems (system applications) included in respondents pre-booking processes (including CRM, application submittal/tracking, pricing, credit, documentation, funding, etc.)	
Average	4.2
Low	1
High	23

21. Respondent information on front-end system applications	
Percentage of respondents with web-enabled front-end	87%

22. Customer Relationship Management (CRM) application information	
Activity	Number of Affirmative Responses
Does the company have a single, centralized CRM application	18
If CRM is not centralized, does sales force use decentralized contact management applications to track customers and leads	11
Is your CRM application web enabled	9

23. Your relationship with your core front-end solution provider can best be described as:	
Activity	Number of Affirmative Responses
A strong, successful partnership	48%
A relationship with some hits and misses	26%
A collaboration that works and is growing	19%
A relationship in definite need of improvement	7%

24. Respondent information on CRM system applications	
CRM application vendor	Number of Responses
ACT	4
In house system	3
Salesforce.Com	3
GoldMine	3
Siebel	3
Leasing CRM	1
Saturn	1
MS Outlook Contact Manager	1
SAGE Saleslink	1
SugarCRM 5.2	1
SalesChain	1
Max Finance / Infolease	1

25. Please specify your level of agreement or disagreement with the following statements as they pertain to your front end software vendor and application (Somewhat Agree, Agree, Strongly Agree, Somewhat Disagree, Disagree, Strongly Disagree).						
	Strongly Agree	Agree	Somewhat Agree	Somewhat Disagree	Disagree	Strongly Disagree
Enhancements to the core application are delivered regularly and they provide meaningful product improvements.	14%	59%	10%	7%	7%	3%
Custom Enhancements are delivered timely.	7%	69%	10%	10%	3%	0%
Technical support is high quality and responsive.	38%	38%	21%	0%	0%	3%
Outsourcing of application management is available.	7%	41%	7%	11%	26%	7%

26. 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	4
Low	1
High	31

27. Respondent information on back-end system applications	
Percentage of respondents with web-enabled back-end	23%

28. Please specify your level of agreement or disagreement with the following statements as they pertain to your back end software vendor and application (Somewhat Agree, Agree, Strongly Agree, Somewhat Disagree, Disagree, Strongly Disagree).						
	Strongly Agree	Agree	Somewhat Agree	Somewhat Disagree	Disagree	Strongly Disagree
Enhancements to the core application are delivered regularly and they provide meaningful product improvements.	4%	29%	25%	18%	18%	7%
Custom Enhancements are delivered timely.	7%	50%	11%	21%	0%	11%
Technical support is high quality and responsive.	18%	46%	21%	4%	7%	4%

28. Please specify your level of agreement or disagreement with the following statements as they pertain to your back end software vendor and application (Somewhat Agree, Agree, Strongly Agree, Somewhat Disagree, Disagree, Strongly Disagree).	Strongly Agree	Agree	Somewhat Agree	Somewhat Disagree	Disagree	Strongly Disagree
Outsourcing of application management is available.	4%	52%	11%	4%	26%	4%

29. Respondent internal focus on leading practices	
Committed organizationally to keeping updated on them and implementing them as needs arise	50%
Focus on leading practices is more department specific and implementation done on an ad-hoc basis	30%
Highly committed to keeping abreast of them throughout the organization	17%
None / limited focus on leading practices	3%

30. 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	33%
Building a custom application(s) tailored to your company needs	17%

31. 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	37%
Highly committed to developing measurements and measuring activities throughout the organization	20%
Limited focus on KPIs and measurements	3%
Used widely throughout the organization but focus varies	40%
None	0%

32. 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	8
Use business intelligence tools to mine and report data from each core application	17
Currently aggregate and report data from a repository (data warehouse / mart) of all core applications	15
None / Manually construct reports from output of each application	2

33. Respondent company web based offerings for customers (note: respondents have selected all that apply)	Number of Responses
View all contract / asset information	17
Request support (e.g. customer service, sales)	16
Request changes to contract / asset information (e.g. address change)	13
View payment history information	11
View balance and payoff quote information	10
Make payments	6
Electronic presentment of documents	6
Execute documents electronically	6
Electronic bill presentment	6
None	6
Request a funding under a line of credit or master agreement	5

34. 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	4%	11%	11%	18%	31%	25%
Core back-end system(s) meet current needs	22%	26%	19%	15%	11%	7%
Back-end system(s) meet future needs	12%	19%	22%	8%	18%	21%

34. 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	14%	36%	25%	14%	11%	0%
Front-end system(s) meet future needs	12%	25%	21%	21%	14%	7%
IT operations need to support global business	22%	22%	8%	8%	36%	4%
IT decisions and business requirements align	22%	46%	25%	0%	7%	0%

35. 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	4%	14%	11%	4%	46%	21%
Major initiatives have been delayed or rejected	7%	14%	18%	11%	39%	11%
Project spending is continuing as planned	11%	36%	14%	18%	14%	7%
Focus: maintain existing systems limit costs	15%	39%	7%	21%	18%	0%
Organization taking a wait and watch approach	4%	11%	18%	25%	32%	10%

36. How are your customers' payments received?

Type	Percentage
Checks	45%
Automated Clearing House Transactions	26%
Wire Payments	20%
Direct Debit (payee initiated electronic debit)	7%
Credit and/or Debit Cards	1%
Other Payment Types	0%

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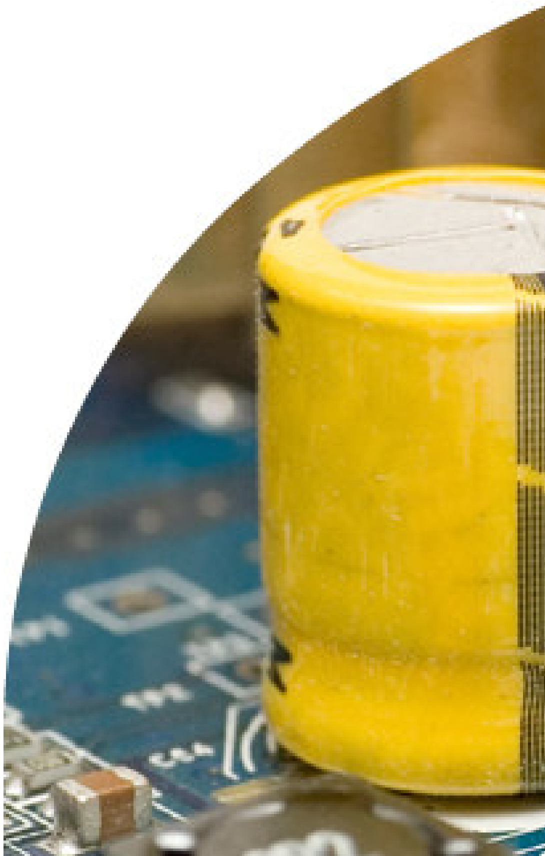

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