2011 Industry Future Council Report

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The Foundation accomplishes its mission through development of future-focused studies and reports identifying critical issues that could impact the industry.

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ABOUT THE INDUSTRY FUTURE COUNCIL REPORT

The annual Industry Future Council (IFC) Report is the product of an intensive two-day discussion with industry leaders. The task of the IFC is to identify trends, issues and possible future events that could affect the equipment leasing and finance business.

The Report summarizes the IFC members' discussions and includes a set of relevant questions. There are no "right" answers to these questions. Rather, it is the hope of the Foundation that readers will ask these questions within their own companies and find them useful in thinking about and preparing for the next one to three years. The IFC Report is another tool for executives to use in strategic planning.

INDUSTRY FUTURE COUNCIL REPORT 2011
A CERTAIN UNCERTAINTY

Equipment leasing and finance executives have always been an optimistic bunch. It's an industry whose very survival has depended on the ability to adapt and thrive when unexpected obstacles appeared. Government restructures the tax code - the industry devised products to fit. Capital markets freeze up – the industry adapts. Accounting rules change – the industry responds.

And current industry players, at least as represented by the 2011 Industry Future Council, retain the entrepreneur's eye for opportunity. With plenty of reason for despair, they aren't without pockets of optimism.

But more than two years after the financial meltdown, the future is still murky, and variations of the word "uncertainty" were on everyone's lips as the IFC convened at the end of January. Even if the industry has broken from the state of suspended animation described by last year's Council, its steps are still halting, and the path far from clear.

The Equipment Leasing & Finance Foundation convenes the IFC each year to discuss and debate the future of the industry and try to anticipate what the business landscape will look like in three to five years. The Council's makeup changes from year to year to ensure diversity of perspective. The IFC always includes the chairs of ELFA's five Business Councils, as well as key players from all over the equipment finance sector, joined by representatives from banking, investment banking and private equity.

This report is the product of that meeting. To encourage the free exchange of ideas, quotes are never attributed to specific IFC members.

The Great Reset

Equipment lessors and finance executives are going to need optimism in the face of what one IFC member said may be "our [generation's] Great Depression." There was consensus among the participants that certain assumptions have changed within the business and within capitalism itself – a "reset" – where new growth may occur, but a return to old days and old ways is unlikely.

"In past down cycles, we used to talk about 'when we get back to where we were when this started,'" mused one participant. "Now it seems like there's a completely new start and there's no going back."

A colleague put it differently: "We're not looking at a dip," he suggested. "This is the new normal." And, truly, the U.S. economy has changed in fundamental ways. In recent decades economic growth rested on the cornerstone of housing. Housing spurred both the commercial economy (building and materials, along with infrastructure) and home-related consumer spending.

But, as one IFC member put it, the bubble in housing that caused the economic crisis "was people spending beyond their means." Congressional leaders demanded that lenders loosen credit standards to allow more people access to home ownership. Low interest rates further spurred people to take on mortgages they could not have, in prudence, otherwise done. Many that didn't lose their homes are making nothing more than monthly rental payments, building no equity.

One of the potentially lasting effects of that binge may be that housing will never again be the force it was in the economy. Owning a home is no longer considered a safe investment, and now is seen as entailing significant risk of illiquidity and even loss. One participant suggested that "home ownership may no longer be the holy grail for young families."

Some worried that the reset had taken place within the American business culture itself, describing a "lack of confidence among Americans." One Council member observed that there seemed to be "an acceptance of malaise – no hurry to get back to the good times. There's just been a drop in the energy level and attitude."

Another IFC member thought it may be simple realism: "Middle class consumption has driven our economy, but today, the middle class appears to be shrinking. That may be stifling manufacturers, since increasing demand is essential to justify investment in plant, equipment and more employees.

Still Standing

If trepidation and uncertainty characterize the business climate as a whole, they definitely do not dictate the health of the equipment leasing and finance sector. Council members were mindful that the industry itself is solid and it weathered the recession far better than other segments of the financial services sector. Lending activity is at a low ebb and some portions of the sector are contracting. One IFC member looked at his peers and said, "Imagine having this meeting in the mortgage banking industry right now?"

Equipment finance continues to pay respectable returns from strong portfolios. Furthermore, improvement continues. "I don't think there's anyone in this room whose portfolio or company doesn't look stronger than it did just a few months ago," said one participant. In fact, the segment looks so comparatively strong that "everybody wants in, and there are too many players," in the words of another.

And therein lies one of the major challenges in the current marketplace. The IFC estimated that industry volume is about 20 percent off its peak, and there are just too many players chasing too few transactions. A bank-owned lessor said, "Banks all march in lock step. We do the same things, and we chase the same business." To which another added, "And when they do break ranks, they tend to go down the risk curve," a move that isn't very attractive to companies with a memory of 2008.

Factories are backlogged but reluctant to expand. Most of their equipment expenditures are of the remedial, replacement variety. Customer behavior has changed as well. "I've never seen anything like this," one bank lessor declared. "Uncertainty has people doing more with less."

And it isn't just customers stretching resources. IFC consensus was that equipment finance payrolls are growing only marginally, if at all.

The environment has equipment financiers also operating differently. "It used to be, if I captured a customer, I could count on future business from that customer. Today, I'm competing not only with other providers, but with the customer's inclination to utilize his own cash," said a Council member.

At a time when banks are looking for ways to deploy funds, potential customers are also sitting on cash reserves, undercutting the traditional argument for leasing. "Every industry is probably in a better cash position than it used to be," an IFC member said. "CFOs are making investment decisions – 'do I deploy cash or sit on it?'" The Council speculated that the next step in the process will be the question of whether or when to return cash to shareholders if it cannot be deployed at respectable, risk-adjusted returns.

Equipment lessors are losing more transactions of a certain size to community banks. "We'll get a look at a lot of nominally secured $2-$3 million deals, that suddenly disappear," said the head of a major bank leasing company. Those deals are scooped up by community banks. This isn't an organized market penetration by community banks, but the work of individual bankers who have the freedom to pursue equipment finance transactions. Mostly, "they're loan structures," explained another IFC member, "not leasing structures."

Government

Just weeks before the IFC convened, Council members heard in the State of the Union address the challenge of "winning the future" through government "investment." But to IFC members, it was apparent that government is losing in the present.

"In past years, one of the things the IFC did was to identify internal and external 'drivers' of the business for the next couple of years," said one participant. "It's scary to think that right now, politicians are the biggest variable in identifying the drivers."

In the last two years, government has intruded into the business sphere to an unprecedented degree, imposing onerous regulations and, in some industries, picking winners and losers.

"There are things that I never conceived of as pertinent to my business," said a CEO. "But all of a sudden, I have to worry about them."

The response from business hasn't been positive. "Today, most companies have more capital on their balance sheet than ever before," said a participant. "Why not use it? Because of fear of the government changing the rules on us or taxing it away from us. Shareholders may want their money back because it's not paying the returns they want, but that's the fight most companies would prefer to have."

Referring to the controversial moratorium on deep water drilling in the Gulf of Mexico, one IFC member suggested, "If you lease to oil drilling or refining companies, you have to be shaking in your boots right now."

And there are more insipid effects on an industry and a business once thought of as "unregulated." An IFC member who's worked in both bank-owned and independent leasing companies said, "The regulations that banks are subject to eventually flow out to the rest of the industry."

Last year, the IFC talked of the same disruptive government intrusion. But some participants last year cited the $787 billion stimulus package as a possible area of opportunity, since all those "shovel-ready projects" would need to finance their shovels. While it may not have offset what executives viewed as the government's "arbitrary and contradictory actions," it at least seemed to offer a bit of silver lining in the ever-darkening cloud of economic slowdown. By the time the 2011 Council gathered, it was the consensus that most of the stimulus hadn't gone to infrastructure projects and that far from being a source of opportunity, government spending and government involvement was actually a hindrance to recovery.

The stimulus money did go to the public sector. Many state governments face massive unfunded pension liabilities for ever-increasing public sector union commitments. Much of the 2009 stimulus went to state governments to stave off the growing crises. In some cases, it didn't help, and simply provided a short-term "stay of execution," as the long-term financial obligations shift to states when the funds run out.

The Council discussed the specter of allowing states to go into bankruptcy, as some smaller municipalities can. An IFC member likened the prospect to the serial airline bankruptcies a few years ago. "When one goes into bankruptcy and renegotiates its labor contracts, its competitor can't afford not to do the same." The fear is that if, say, California were to declare bankruptcy, others would soon follow – a nightmare scenario for creditors that do business with various states directly, and a downstream exposure for businesses that provide financing to companies that contract with those states.

The stimulus shielded much of the spendthrift public sector from the pain of the last couple of years, creating what one IFC member called a "bifurcated recession," in which the private sector shouldered the burden of the downturn.

But IFC participants are certain that the reckoning is coming soon, and it's necessary to return to a growth economy. "They are going to have to deal with it," one said. "And it will be painful." Governments of all levels are so far in debt that, even with drastic tax increases during the best of economic times, they couldn't raise enough revenue to extract themselves without dramatic cuts in public sector jobs and the terms of those that remained.

Members cited the example of Germany, one of the few developed nations in which unemployment is declining. Since 2006, the Germans have lowered tax rates and renegotiated union and government contracts, and have seen unemployment drop from 9 percent to 6 percent.

Jurisdictions large and small across the U.S. will have to adopt some form of a similar model for the overall economy to make significant gains. "It's the only way to boost private sector confidence," said an attendee. The possibility of further taxation and regulation has businesses wary and reluctant to invest in future growth.

Signs of Recovery

Recovery will come, and before it does, there will be hints and signs of economic rebirth.

Interestingly (and accurately), one of the signs cited by the 2010 IFC as an indicator of a recovery was a rebound in the machine tool sector. The Association for Manufacturing Technology and the American Machine Tool Distributors' Association recently reported that in 2010, the machine tool industry was up 85 percent over 2009 and reached historic highs.

This year's Council was asked to identify its list of indicators, signs or clues that would indicate future direction.

Asked what they were looking for, many 2011 IFC participants cited improvements in the overall economy, unemployment rate or housing. Some looked for a quickening pace of new entrants into the business; some said increased merger and acquisition activity in the industry. Some Council members watch the availability and cost of bank debt, some the amount of venture capital raised.

Several mentioned that when supply and demand reaches equilibrium, growth will soon follow. Manufacturers can then start making equipment acquisition decisions based on a more predictable upward trend in demand. One suggested that portfolio performance is a leading indicator before growth in new business.

Here too, some roads led back to Washington and the state houses. "If people can be certain that there'll be less government intervention in the markets, they'll start planning and investing in new equipment," said a small ticket lessor. Fear of more taxation and more regulation freezes businesses in place.

Accounting

Changes to lease accounting rules have been in the works for nearly a decade.

Recently, the Financial Accounting Standards Board and the International Accounting Standards Board released an exposure draft and a plan for implementation of proposed lease accounting standards. They received substantial commentary, emphasizing the fact that the full impact of the proposed changes had not yet been thoroughly vetted or measured. Based on the volume of critical commentary, the Boards will be challenged to meet their June 2011 target date for implementation.

But the respite will be temporary and in the end, leased assets will end up on lessees' balance sheets, spelling the end of the operating lease product and negating one of the arguments for leasing versus buying.

The IFC's discussion of the accounting change shows that the changes' impact will vary across the industry depending on the nature of customers and their financial needs. One IFC member observed that independents have the latitude to "position ourselves where the change will be less impactful, where the accounting implications are less critical."

Others said that they're "not hearing a clamor for off-balance-sheet leasing." Their customers are more interested in tax treatment, or the basic matter of liquidity.

One participant suggested the effect of on-balance sheet would be to "shrink the pie of leasing opportunities" by making the leases – and the reasoning behind leasing – more complex. "CFOs are going to say, 'If I can't figure it out, I'm not doing it.' If they have revolving lines of credit, they'll use those lines."

"It makes leasing a hassle," agreed a colleague. "It brings us another step closer to a pure loan product."

Others observed that in large organizations, accounting is paramount, and "they don't want anything on-balance sheet." Accordingly, one IFC member asserted that placing leases on balance sheets represents "a huge stealth change in the way people buy, but it hasn't made its way into corporate cultures. If you look around large companies," he explained, "leases can generally be approved as part of operating budgets, by business managers at various levels. If the lease is to be treated as a loan for capital acquisition, the process will necessarily involve the capital budgeting process, finance and more approvals."

With short-term operating leases off the table, the IFC speculated on independent lessors moving toward providing what members called "rentals" – leases for a period of time significantly shorter than the useful life of an asset, and without any provision for transfer of ownership to the lessee.

As a result, the transaction mix for the industry may take on a "barbell" effect: the very short-term and very long-term leases framing a shrinking medium-term portion.

Banks don't really differentiate between leases or loans if they have the same characteristics of security and committed payments. However, the assumption of significant residual risk and the requirement to re-market assets coming off-lease are far less attractive to banks.

The situation is more complicated and potentially harmful for captives. One of the FASB's missions with lease accounting is to break out the services components of some leases, and to require separation of parts in bundled agreements. For years, captives have enjoyed a competitive advantage being able to bundle equipment, services, repair and replacement, technology refresh, and other associated services in a comprehensive offering that is more than a lease.

An IFC member from a large captive explained the complexity: "We do multi-year service contracts, and there's a balance we try to manage. While the immediate revenue from a sale is important, the annuity-like stream of revenue from an extended and comprehensive service offering – including the equipment – is qualitatively important to shareholders."

The Road Ahead

So what does the future hold? An IFC member said, "We're starting to form a picture of what the way ahead looks like, but it's still very cloudy."

Once in focus, that picture will be colored by the accounting changes, government regulation and behavior, and the macro-economic trends described above. How the industry responds – operating in spite of those factors or embracing them as part of new product development – is the important thing.

Again, the prevailing sense among Council members was that there was "no going back to business as usual." The Great Reset has been too profound for that. But that isn't necessarily bad. "Wherever there are problems there are opportunities," said one Council member. "People and businesses will still need services and equipment."

The question is who are those people and businesses, who are the players that will compete for them and what products will they offer to meet the needs of those customers?

Customers – If the lease accounting changes are going to "shrink the leasing pie," equipment financiers will have to find business elsewhere – different user industries and organizations, different assets or different markets.

As noted above, while the 2010 IFC held out for government stimulus sparking equipment demand in some industries, reality seems to indicate it was not to be. But this year's gathering produced its own hope for government helping the markets – by getting out of them.

If governments get serious about cutting spending, as the IFC believes they must, they will have to curtail the services they provide. The resulting opportunities for the private sector to step in would clearly be an expanded opportunity for leasing and equipment finance to provide the capital required. "If the town or county is getting out of the waste hauling business," said one member, "a private sector company is going to have to step in and do it."

Some IFC members suggested that the alternative energy industry or the emerging field of "cloud" computing hold promise, but neither are yet of significant size (for example, the entire U.S. solar energy industry employs just 82,000 people). One member mused that the answer – not just to the question of new assets to finance but to the greater economic malaise – is "some invention. Some new way of working to grow our economy," the way perhaps the introduction of automobiles or computers drove growth.

While it was remarked that cross-border leasing seems to hold less promise than it once did, several participants suggested that emerging markets were attractive over the long term, and cited the burgeoning middle class in Latin America, as an example.

Players – Given the finite demand for equipment financing for the foreseeable future, the IFC gave due consideration to who would be dining on that pie.

One group that may not be at the table in anything like its current numbers are the captives. The proposed lease accounting changes, along with what an IFC member called "onerous regulations on captives," make it more difficult for captive finance companies wholly owned by manufacturing parents to compete for capital and resources within the overall enterprise. The opportunity side of that coin will be a growing demand for third-party-provided vendor finance programs.

One IFC member suggested that about "half the regional banks" would exit the market, repelled by the complexity of leasing transactions, their inability to do residual-based pricing, and the absence of the equipment expertise to fully benefit from residual values.

But the void created by any exodus won't be there for long. The IFC expected other players to enter the market, enticed by solid returns and equipment finance's attractiveness relative to other battered financial service industries. Small, nimble companies can be up and running in the space quickly.

"Don't discount the small guys," one IFC member warned. "They can have a lot of creativity around the asset."

The discussion of company size brought up an old question: Is there a size limit past which independents in this sector simply cannot grow? Although size is determined largely by niche and funding, there seems to be a ceiling successful companies reach ("$100 million-$500 million annually seems to be the killing zone," according to one participant). Smaller independents seem to thrive and grow, but at a certain scale, continuing funding is a greater challenge, and if they are well-run, scalable and have a platform for growth, they tend to be acquired by larger corporations. But the market dynamics for M&A activity have also changed.

One IFC member explained: "It used to be that you could build a company and sell it at 15-20 times earnings," he recalled. "Today it would be closer to 6-8 times earnings, and founders have a harder time making the decision to stick with it another 6 years or sell out now. At 20 times earnings, the decision was much easier. With less incentive to sell, those companies may hang around as independents for longer than we're used to seeing."

Return Talk

Before the financial crisis of 2008, the equipment finance industry was awash with funding. The same attractive return rates that had enticed banks into the equipment finance and leasing marketplace were calling to institutional investors, private equity and hedge funds.

But expectations for those returns were perhaps unrealistically high. Hedge funds were hoping to pull 20 percent ROE from an industry that traditionally pays 12 percent. Without taking on more and what may be unacceptable risk, typical finance companies couldn't deliver to expectations.

Have return expectations fallen in general since then? The IFC agreed that they have. Yes, the industry is a standout among the financial services sector because it weathered the recession while others floundered, but funding sources no longer are demanding unreasonable returns. Banks, flush with cash that they must deploy, are willing to accept more modest returns, even as, in the words of a bank lessor, "regulators are going to keep the credit vault closed."

"There's been a recalibration stemming from caution," confirmed one participant. Marginal credits are seen as exponentially more risky than they once were. "Nobody's willing to take the risk to get the 15-20 percent returns anymore."

"How on earth are you going to get to 20 percent when treasuries are at 4 percent?" asked another. "It's not a rational expectation."

If lower returns are the norm, from where is the industry drawing investment? An IFC member expressed surprise that the foreign investors, who have been buying their way into various U.S. industries, don't yet have a significant presence in the sector. Another explained that, in his experience, the emphasis on the assets – which is at the core of differentiating leasing from lending – is also the least familiar concept to foreign investors, causing them to take a very cautious approach.

Products – Over time, it's become increasingly apparent that finance customers didn't really differentiate between leasing or financing, especially as the products grew less differentiated. They're interested in solutions, and the solutions they need and that finance companies can provide are dictated by events.

"The playing field is always changing," one industry veteran told his IFC peers. "We live our lives in narrow openings ... doors open and close. The industry has always been about exploiting the gap before the door closes."

Getting through those doors requires creativity, once a hallmark of equipment leasing and finance. But is it still? One IFC participant wasn't sure.

"Where are the new financial products?" he asked. "We've always come up with new products – many good, some not. But we haven't had a real product innovation in a long time. If you're not developing new products, you're at the mercy of external factors." New products, he asserted, were all the more important in the face of the lease accounting changes.

Another Council member had a ready answer: "There's been such a fundamental change in the regulatory environment, nobody wants to go through the pain" of creating a new financial product only to see it regulated out of existence, as happened with LILOs and SILOs.

Still, "There must be something more than just equipment," the questioner asserted, "Something sticky." Equipment has long been financed as accompanying service contracts. ("A lot of customers don't want just a copier," a participant said. "They want a copier service.") "Bundling" and "cost per copy" models have emerged as a result.

"Supply chain financing never really worked out," according to an IFC member. "What customers needed was insurance, not financing." Some companies do floor plan finance because of its asset-intensive nature. What's next?

Circumstances will surely dictate how companies tailor and tweak their offerings.

Accounting changes will likely force transactions to be longer or shorter – more like a purchase or more like a rental. And as one IFC member observed, "With all this liquidity out there, and with the changing regulations and requirements, it's hard to do a hell-or-high-water provision."

Another wondered whether finance companies could take a page from automotive companies. "Could there be a clause, like the car ads had, where if you lost your job they'd take the car back? Is that something we can replicate?"

Blocking and Tackling

Whatever products the industry does create to serve its customers, the IFC generally agreed that the strength of the industry remains asset management. Some participants mourned that the industry had lost some asset knowledge over the years, but equipment expertise still sets the business apart, facilitating the returns that make it more profitable than secured lending.

An IFC member commented that, "If you embrace asset management, returns are just as healthy as they've ever been. It's tough for price players to compete with us."

Another participant observed that "asset management is the differentiator. Some of the best returns come when the funding source is sympathetic to the lessor's ability to realize residuals. Our knowledge of equipment allows us to take more risk and get higher returns."

Equipment management is a differentiator for the industry, for players within it, and even for organizations. More than one IFC member talked of how in many banks, the real equipment expertise resides within the leasing and asset finance group.

One recalled that, "It was tough for us to realize that we were just a product to the bank. They wanted to grow the bank, not the leasing company." He had to get the bank comfortable with residuals. But the ability to "get rid of equipment" profitably cemented the leasing company's place within the bank. Another agreed, saying lessors could go to their bank executives and say, "Hey, we bring value with residuals, and that asset-related skill set is important within the bank"

The Human Element

"Prior to the economic crisis, the biggest problem we faced was the Baby Boomers retiring," said an IFC member.

Yes, the economic meltdown and ensuing recession pushed questions of succession and institutional continuity aside. But it didn't make them any less real. The Baby Boomers who mainly comprise top management in the industry continue to approach retirement, and questions remain about filling their role – and the state of human capital in general.

What attracts young talent to a business? Before 2008, many in the IFC might have said it was the "cool factor" – "being able to say you're an investment banker; not having to explain what equipment leasing is."

But in the new era of caution and diminished risk appetite, investment banking and other financial services professions have lost some of their sheen.

"What drives youth into an industry is that industry's prospect for expansion and growth," said an IFC member. Others maintained that it is the nature of the work itself.

"The variety of transactions in this industry is tremendous – it's a transaction business," said one, noting that equipment finance retains some of the entrepreneurial characteristics that once defined it. "You can go to work and feel good about it."

And that, the IFC agreed, was important. Leasing and finance remains lucrative, but "Kids aren't so much all about money these days," said an independent lessor. They want to have impact, and to know what that they do matters."

In that light, the industry – entrepreneurial, transaction oriented and adaptive – should be attractive for youth. And indeed, according to one participant, "Mentored properly, young people can get excited about this business."

But can the business get excited about its young people? Technology has unquestionably impacted the attitudes and habits of today's twenty-somethings. "They want to be activity-based," observed an IFC member. "Tell them what needs to be done and by when. They'll do it. But it may be from home at three a.m."

For better or worse, young people's embrace of technology has changed the relationship between employer and employee. One IFC member with experience overseas noted that in Europe, companies "have to create crazy work environments to get new talent."

But some disagreed with the idea that "the balance of power has shifted" from employer to employee – or more accurately, they believe power has shifted back.

"Before the economic crisis, I'd interview kids and they wanted to know about their 'work-life balance,'" observed an industry veteran. "Not anymore."

"Young people need jobs," another agreed. "They've been humbled by this economy."

Conclusion

The 2011 Industry Future Council reflected an industry in a good position to prosper when the broader economy recovers. Although there was pessimism and apprehension about the general industry and economy, IFC members were optimistic about their own individual businesses.

Equipment finance companies retain strong portfolios and reputation relative to other financial services sectors, making them attractive to investors looking to deploy capital for solid returns. Equipment expertise remains the great differentiator for the industry, valuable on its own and to bank parents.

But the "reset" of 2008 has produced a "new normal" of lowered short-term expectations and real concern about what the future will bring. Equipment financiers are buffeted as never before by external forces – the broader economic malaise, intrusive and unpredictable government actions, and the impending accounting changes.

Potential customers continue to sit on large cash reserves, awaiting economic recovery and more certainty on taxes and regulations. With few exceptions, customers are replacing equipment as needed, but not financing expanded capacity. Furthermore, with so much cash on hand, the outright purchase of equipment is more feasible. For the equipment finance industry, that means too many players competing for too few transactions.

Eventually, the economy will improve and the situation will change. But from here, according to the IFC, it's difficult to see what the nature of that change will be. The industry will have to develop new products and be quick to exploit new markets in the U.S. and overseas. Opportunity may arise from governments – from municipalities to the federal level – privatizing services as they grapple with the massive debts they've accumulated.

There will always be a need to finance equipment and services. This industry will always be there to create those financial solutions, playing a crucial role in capital formation and economic growth. Those things are certain. Everything else, right now, is uncertain.

2011 INDUSTRY FUTURE COUNCIL ROSTER

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The Foundation partners with corporate and individual donors, academic institutions and industry experts to develop comprehensive empirical research that brings the future into focus for industry members. The Foundation provides academic research, case studies and analyses for industry leaders, analysts and others interested in the equipment finance industry.

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- Monthly Confidence Index(MCI) analysis
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- Provides differing risk profiles of borrowers, industries and geographies to identify the most profitable business customers
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- Establishes a standard metric for effectively communicating with management, regulators, auditors and investors
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