Established in 1989, the Equipment Leasing & Finance Foundation is a 501c3 non-profit organization dedicated to inspiring thoughtful innovation and contributing to the betterment of the equipment leasing and finance industry. The Foundation accomplishes its mission through development of future-focused studies and reports identifying critical issues that could impact the industry.

Foundation research is independent, predictive, and peer-reviewed by industry experts. It is funded solely through contributions. Contributions to the Foundation are tax-deductible. Support the Foundation by making a 100% tax-deductible gift today at www.LeaseFoundation.org.

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The Equipment Leasing & Finance Foundation
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About the Industry Future Council

Each year, in support of its mission to be *Your Eye on the Future*, the Equipment Leasing & Finance Foundation brings together a group of industry executives to form the Industry Future Council (IFC). The IFC is tasked with exploring trends and early signals of change and evaluating how these issues could impact the equipment leasing and finance business in the years to come.

During the 2017, 2018, and 2019 convenings of the IFC, participants focused conversations on specific topics including technology, a changing workforce, a new customer base, and incorporating innovation into strategic planning. Thriving amid an era of disruption has been and will continue to be at the forefront of how and why industry professionals develop new strategies, technologies, and process maps to navigate through the ever-evolving equipment finance industry.

This IFC Report summarizes discussions held at the 2019 convening of the IFC. Much like the previous several IFC convenings, this year’s meeting—February 11-12, 2019—brought into focus matters that equipment leasing and finance firms may wish to consider implementing now as they plan for future growth. Reports from previous IFC sessions may be accessed for free via the Foundation’s website at [www.leasefoundation.org](http://www.leasefoundation.org).

How to Use This Report

The IFC Report is not intended to provide all of the answers for contemplating next steps. It is intended, however, to provoke thought, conversation, and action within equipment finance companies and within the industry. It is the hope of the Foundation that readers will benefit from the insights of the IFC and use them as planning resources and tools, not only for the next three to five years but for the next 10-15 years as the industry continues to evolve.
Executive Summary

“The best way to predict the future is to invent it.” – Dr. Alan Kay

Equipment finance companies’ challenges to innovating are legion. In some cases, product managers seeking to test new ideas are told they must prove that the ideas will work before funds for testing are authorized. In other instances, equipment finance executives want to innovate and go to market quickly but worry how doing so will affect the company risk profile. In still other cases, leaders know that their companies should experiment with new ideas but are unsure how best to proceed or can’t free up capacity to move forward.

To explore the situation and find workable solutions, the Equipment Leasing & Finance Foundation invited industry executives representing a cross-section of transaction size and company type to participate in its annual Industry Future Council (IFC). Gathering in Washington, DC in mid-February 2019, participants discussed innovation as a means for thriving amid digital disruption. JP Nicols, an innovation expert and Cofounder of FinTech Forge, facilitated.

In the equipment finance industry, today’s radical pace of change has taken the form of growing disruption, much of it from Fintechs. Initially wooing small ticket transactions and customers with ground-breaking technology that heightened response time and lowered costs, Fintechs have continued to grow in sophistication and are now targeting more market segments by funding deals of $600k or more, typically with little documentation, and in a fraction of the time traditional companies require.

US investors invested a record $57 billion into Fintechs in 2018, providing the wherewithal for more competition still. IFC participants said leaders of traditional equipment finance companies must respond now by embracing innovation and using it to create value—and they must do it while also growing their core businesses.

To thrive amid these circumstances and achieve positive change, equipment finance leaders need to understand the changing landscape. They must then reframe their strategies and process maps to match the new environment. Next, they must direct their teams and companies through the new landscape safely and profitably—while continuing to innovate to bring about transformational change.

To do this in a way that accommodates the characteristics and processes of equipment finance, an empirical approach is necessary. But participants agreed that none of the modern agile business methods commonly used by companies outside our industry would work effectively for equipment finance firms. Thus, a hybrid approach combining the best elements of several methods would work best. One such a method explored during the 2019 IFC convening is FIRE™, created by FinTech Forge, which uses aspects of Lean, Agile, Scrum, Design Thinking, and others to form an effective and repeatable process that gets results quickly.

Strategic planning helps move our companies forward, making realities of goals to implement new technologies and create a more diverse and inclusive workforce and customer base. By adopting innovation into strategic planning and processes, equipment finance leaders can create and manage value that not only adds to competitive advantage but allows them to invent their own future.
Introduction: What If Our Map Doesn’t Match the Landscape?

“Disruption is already here. It’s just not widely distributed yet, so we’re not feeling the pain.”
– JP Nicols, Facilitator

Fintech has revolutionized financial services, changing its very definition as well as its landscape. Observed IFC Facilitator JP Nicols, quoting author Brett King, “Banking is no longer somewhere you go, it’s something you do.” Increasingly, the same principle can be applied to equipment finance companies as well-funded, online entities disrupt market segments and business lines by leasing, renting, or financing an array of equipment, from dump trucks to defibrillators, with little documentation and in a matter of minutes or hours.

IFC participants said too many companies spend their time executing similar, traditional business models, each striving to do it better than the next. But the strategies and best practices that produced our current success won’t bring future prosperity. To weather continuing change and respond proactively to disruption, industry leaders must pay more attention to new and exponential technologies that can expand our capabilities and meet evolving customer expectations. Industry professionals must identify obstacles thwarting innovation and then create the capacity to do it, incorporating the testing of ideas into day-to-day agendas. Through innovation, new products and services can be quickly brought into market.
VENMO: A Case in Point

In 2009, Iqram Magdon-Ismail and Andrew Kortina were college students who shared an apartment. Both were set to fly home at semester’s end, one to India and one to New York. But Iqram still owed Andrew $120 for groceries and other expenses. What to do? Iqram could have written Andrew a check, but the idea was so old-fashioned, it never occurred to him. He could have wired the money, but that was expensive. He could have used ACH, but first, he’d have had to go through an approval process. None of these existing methods was fast enough or cheap enough, so Iqram and Andrew solved the problem by creating an app that would transfer the money to Andrew quickly and at minimal cost.

Today, anyone can download VENMO and acquire a digital wallet that they fund through their bank account or a credit card. Using the app, you can split and pay for Uber fares and restaurant tabs, or send money to anyone with a bank account. VENMO charges a 3% fee that is waived when your transaction is funded by your Venmo balance, a bank account, or a debit card. The 3% fee still applies when a credit card is used to fund the transaction.

Meanwhile, Iqram and Andrew sold VENMO to Braintree in 2012 for $26 million, which was then acquired by PayPal the following year for $800 million. Chase and other big banks responded by creating their own app, Zelle. But it took them seven years to bring it to market; seven years in which VENMO continued to grow. In the fourth quarter of 2018, VENMO handled $19 billion in transactions.
Too Little, Too Seldom: Industry Innovation Today

To gauge their own companies’ current level of innovation maturity (Figure 1), IFC participants responded to a survey prior to attending. Their answers (Figure 2) revealed general satisfaction with innovation processes as they pertain to risk management and depth and breadth of effort. However, participants ranked their own companies lower on experimentation, or the testing of ideas, and lower still on being data-driven during the innovation process. Receiving the lowest rank of all was speed. So low was participants’ collective speed rating that it fell below the level of engagement. Observed one participant, “Some companies seem designed to fight against innovation.”

FIGURE 1.

Innovation Maturity Curve
Where are you today?

Exclusion
• Efforts are non-existent
• Need for change not recognized and/or prioritized

Engagement
• Efforts are ad-hoc, informal, or non-existent
• Change mandate may be new
• Need education and internal alignment

Emphasis
• Tackling a lot of things at once
• Often playing catch-up from past underinvestment
• Need to prioritize competing projects
• Need foundational frameworks for funding, governance, and risk management for innovation

Effectiveness
• Putting innovation into regular practice
• Current program may be ineffective or stalled
• Extending and defending core products/services
• Need experienced resources to get to ROI faster
• Curated fintech partners

Efficiency
• Typically more advanced teams
• Want to focus on big strategic bets and/or proprietary ideas
• Creating viable options and building emerging businesses
• Need efficiency and network effect of a consortium approach
Embracing Innovation: Positioning Your Business for Future Success

What Innovation Is...and Is Not

The working definition of innovation that Facilitator JP Nicols uses often is the following: “Innovation is implementing new ideas that create value.” Most people understand the “new ideas” part, he said. “But the ideas need to be implemented, and they need to create value,” he emphasized. Innovation is a critically important process that, performed effectively and continually, moves companies and customers forward.

Participants agreed that innovation is not about managing existing business. Nor is it synonymous with technology, to be managed like a typical IT project, in which the outcome is well-defined, and the process is managed linearly. Innovation is unlike any aspect of our core business and thus, cannot be managed with the same tools or conducted with similar processes.

Innovation is a skill that equipment finance companies must learn to perform well and recurrently. Doing so will not only improve and update products, services, processes, and customer experiences; it will bring about transformational change that will usher the equipment finance industry into the future.
Challenges to Innovation

“We know external disruption is real, but what about the disruption we’re causing ourselves?”
— IFC Participant, Service Provider

For some equipment finance companies, the largest deterrent to innovation is their own success. “We’re sitting on record profits, and things seem to be working,” said one IFC participant. “Why would we invest in new processes or technologies?”

Indeed, a leading characteristic of many successful equipment finance companies is discipline, demonstrated in strategies to seek and maintain stability, security, and predictability. Said an IFC participant, “We like to quantify the knowns, reduce risk and variability, and methodically catalog and implement best practices.”

For some equipment finance companies, the largest deterrent to innovation is their own success. “We’re sitting on record profits, and things seem to be working,” said one IFC participant. “Why would we invest in new processes or technologies?”

This approach is effective for managing established equipment finance companies, participants agreed. It’s also a smart method for conducting IT projects, which require specific outcomes. But core-business management practices hit a wall when applied to innovation because innovation is a different animal. Yet, the lack of suitable innovation strategies was only one challenge that IFC participants listed.

“Why aren’t all of us using all of these new technologies now?” asked one participant, adding, “Our company has already moved to facial recognition.” “Lack of resources,” responded another. “We’re all so busy doing our day jobs.”

“We’re afraid of betting the budget on a loser, or of doing something too early,” suggested a participant. Admitted another, “We have an amazing amount of data, but we’re not doing much with it. We know we should experiment, but we’re fuzzy on how to do it effectively, and we can’t afford to experiment with every idea, hoping something sticks.” Said still another, “We know external disruption is real, but what about the disruption we’re causing ourselves?”

Participants also acknowledged that innovating, or even planning to do it, can create resistance from employees who could be reassigned or let go as a result of innovation. Volunteered one participant, “We want to know how other companies create, comply, and deal with risk without killing sales and innovation.” Another expressed concern about innovating as a small business. “How can we get a handle on the small-company scale of our industry’s future business model?” he asked.

Rather than attempt innovation themselves, some equipment finance companies look to partner with other businesses. “We’re interviewing Fintechs, banks, and non-banks to establish multi-partner finance programs,” said a participant, adding, “We also want their help penetrating new markets.”

These challenges notwithstanding, IFC participants agreed that some equipment finance companies do innovate and have made transformational changes. But questions remain. “We feel pressure to create and get to market faster and faster,” said a participant. “But we worry about how that translates on the risk side.”
Embracing Innovation: Positioning Your Business for Future Success

Said another, “We innovate to bring a great deal of technology to the equipment finance market but are often disappointed at low or slow acceptance rates. Adoption is an issue.”

“We’re afraid of betting the budget on a loser, or of doing something too early.”
—IFC Participant, Captive

The Writing on the Wall

“If you wait to be a fast follower, you’re already behind.”
—IFC Participant, Bank

Investors are moving money into Fintechs at a rapid pace, creating the means for competition and disruption. As of July 1, 2018, global investment in Fintechs had reached a record $57.9 billion, compared to $38.1 billion for all of 2017. Fintechs, after all, have substantial cost advantages: little or no bricks and mortar; lean corporate structure; and daunting technological expertise. They are likely to continue offering new products and services that attract more of the business we currently call our own. If this sounds dramatic, consider the following recent financial trends:

- Alibaba Group, a Chinese multinational conglomerate specializing in e-commerce, Internet, and technology, is now the world’s fifth-largest internet company by revenue. In early 2018, the company partnered with the US-based Consumer Technology Association to present the first Design and Source Showcase, demonstrating a range of online programs offering small and mid-size businesses cross-border trading opportunities. Alibaba was named to Fast Company’s Top 50 Most Innovative Companies for 2019.

- Choice Financial, a community bank in Fargo, North Dakota, partnered with an Australian Fintech to launch “Douugh,” an AI-based mobile app designed by a company of the same name. Douugh is designed to serve as a financial assistant to Millennials and members of Generation Z. Teaming with Douugh enables Choice Financial to attract deposits from savers nationwide.

- Live Oak Bancshares of Wilmington, North Carolina, and New York-based First Data, a Fintech, partnered to create Apiture, a new Fintech company and API platform. Apiture combines the digital banking platforms, products, and services of both parents and uses APIs (Application Programming Interfaces) to help banks leapfrog their legacy systems and provide state-of-the-art workflows, functionality, and services.

Clearly, companies around the globe are launching financial trends and innovating products, technologies, and services that equipment-finance customers almost certainly will want.
**FIRE™: An Innovation Strategy**

As innovation is about creating and managing value through the testing of new ideas, equipment finance companies need an empirical approach to this process that will help them manage it effectively. One such approach that industry professionals could incorporate into their strategic planning is “FIRE™,” a process that is swift to shorten the gap between idea and results.

An acronym for Fast, Iterative, Responsive Experiments, FIRE™ is a portfolio approach developed by FinTech Forge. It combines elements of Agile, Lean, and other modern business methodologies to provide a quick, effective, and repeatable process to help companies build value with every iteration. FIRE™ is also cost-efficient because innovators use the results of each experiment to determine whether to continue testing or cut their losses and begin testing another idea.

Using FIRE (Figure 4), IFC participants concurred, traditional equipment finance companies can not only compete with Fintechs; they can create their own future.

**FIGURE 4.**

### 4 Keys to Thriving in an Era of Digital Disruption

1. **Understand Your Starting Point**
   - Know your starting point on the innovation maturity map across the 7 key dimensions for effective innovation in financial services:
     - FTForge.com/Inventory

2. **Set the Strategic Course**
   - Create a Declaration of Innovation™ - The Who, What, When, Where, Why, and How of your innovation strategy
   - Develop an innovation portfolio aligned with your most important strategic priorities
   - Establish foundational frameworks for funding, governance, and risk management; develop KPIs and metrics to measure and manage success

3. **Create Capacity for Innovation**
   - Leverage Strategic Investments
   - Internal Acceleration Process
   - Foundational Frameworks
   - Existing Strategies & Tactics
     - Extend the Line
     - Bend the Line
     - Jump the Line

4. **FIRE™ Up Your Team**
   - Fast
   - Iterative
   - Responsive
   - Experiments
   - Shorten time between ideas and results
   - Continuous improvement
   - Data-driven iterations
   - Learn quickly and cheaply
   - Test and Learn framework bounded by risk controls

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Participants also thought the innovation method must be suitable for today’s competitive environment, using a data-driven approach to testing and learning. Furthermore, the method should employ short experiments that quickly determine an idea’s value.

Yet, participants agreed that no singular process used by companies successfully innovating today fits the business of equipment finance. For example:

- Manufacturers use LEAN production methods to minimize waste and Six Sigma programs to improve quality and reduce costs.
- Software developers employ Agile and Scrum techniques to progress rapidly and improve client responsiveness.
- Silicon Valley startups institute LEAN Startup programs to build and test ideas quickly and to continuously improve products.
- Google Ventures applies its own “Sprint” process to vet concepts for the firms it invests in.
- Design Thinking makes use of new ideas and quick prototypes to revolutionize thousands of items, from apps to industrial products.

Without a pragmatic approach, IFC participants said, innovation is often driven by opinion rather than facts. And without such a method designed for the finance industry, companies tend to become bogged down allocating resources for innovation, selecting ideas to be tested, and/or implementing subsequent processes that result in bringing new or improved products to market.
Creating Capacity for Innovation

“Organizations need to set aside a percentage that will be invested in the future.”
–IFC Participant, Independent

Even when companies embrace an innovation strategy, the resources for implementing the strategy are not always apparent, or available. To create capacity for innovation, IFC participants said company leaders must leverage their assets in a new way. They must turn what is, for many executives, the traditional approach to portfolio allocation (Figure 5), on its head.

FIGURE 5.

Every company will be different, but a good starting point might be budgeting 70% of resources for core, or incremental, innovation, 20% for adjacent innovation, and 10% for disruptive or transformational change. This portfolio approach balances the need to fund existing businesses with the need to create new options for the future.

The returns on those innovation investments are often inversely related, as things closer to the core have a more limited upside. The bolder bets bring potentially much higher returns, but this must be weighed against the inherently higher risks (Figure 6).
IFC participants acknowledged that greater risk often produces greater returns. “If one of our goals is to be more relevant to Millennial customers, core strategies and tactics won’t work,” said a participant. “We need innovative strategies and tactics to jump the line and do something completely different. We need to spend resources on innovation.”
An Innovation Playbook

“You don’t want to make the mistake of solving a problem nobody has with technology nobody wants.”
–JP Nicols, Facilitator

Escalating change has killed the five-year plan, forcing industry leaders to alter strategies more frequently to respond to evolving technologies and customer expectations. However, IFC participants agreed that even leaders at companies already possessing the capacity for innovation must create new strategies for continuous improvement. To front-load planning and make it a process of testing and learning, equipment finance companies can employ several steps from the Lean methodology and the Lean Startup method, beginning with the development of a Minimum Viable Product.

Minimum Viable Product (MVP)

Nearly every company wants to grow faster, but the idea of “build it, and they will come” is too risky in rapidly changing times. Toyota pioneered the concept of dramatically improving quality by reducing waste at every stage of manufacturing. Undeniably, it’s much more efficient to correct an error earlier in the process than after the car is completely built. Today these concepts have worked their way into service businesses, and the concept of the Minimal Viable Product (Figure 7) focuses on creating value and eliminating waste at every stage. To ensure efficiency and cost-effectiveness, participants agreed, each iteration should build marketable value.

FIGURE 7.

Minimum Viable Product (MVP)

Not this…

Must be able to test along the way

But this!

Iterations help build value at every stage

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Using Lean methodologies, participants concurred, innovators move quickly from ideas of value to the building of a test product, to measuring and learning from results, to building, or iterating, again. In this way, equipment finance companies can minimize waste by ensuring that their innovation efforts meet the intended goals. If the objective is just to achieve parity with competing products, for example, overinvesting in innovation beyond that should be considered waste. If the goal is differentiation however, a different form of waste could result from *underinvesting* if differentiation is never achieved. Said Nicols, “Think of the difference between launching something like full electronic documentation and signatures in 2009, when it could have been a differentiator, versus doing so in 2019, when it is just maintaining parity with rapidly changing expectations.”

No one wants minimum products that underperform or don’t work at all. On the other hand, however, executive leadership is usually loath to spend more than necessary to achieve differentiation. Thus, the goal is to adopt new strategies and practices that implement testing and learning at the point where minimum products and viable products intersect to create Minimum Viable Product, or MVP (Figure 8).

FIGURE 8.

Minimum Viable Product (MVP)

To increase the probability of success, it is important to obtain customer input at every stage after a Minimum Viable Product is developed.
Identifying the Job to Be Done

“Supposedly Henry Ford said, ‘If I had asked people what they wanted, they would have said faster horses.’”

—IFC Participant, Service Provider

To select ideas for testing, IFC participants said company executives must think about pain points experienced by customers and by employees. Thinking about products and services that competitors provide, but your company does not, is another way to identify areas in need of innovation. A phrase that experienced innovators use to frame ideas and questions that help identify the job to be done is “How might we ...?” Examples follow.

• How might we reduce the time from application to funding middle-ticket transactions?
• How might we create custom reports for clients that would be available through our customer portal?

“We need to think about what will cause our customers to leave us,” said a participant. Asked another, as an example “Are we going to get ‘Netflixed’ as Blockbuster did because of customer dissatisfaction? If so, who’s going to do it—Will it be Amazon financing equipment?”

Thinking about pain points is not the same as asking customers what they want, however. They may not know. Said an IFC participant, “Supposedly Henry Ford said, ‘If I had asked people what they wanted, they would have said faster horses.’”

Swiffer: Customers Don’t Know What They Want Until You Give It to Them

In 1994, Proctor & Gamble was seeking a way to grow through innovationviii. The object of innovation presented itself when the company’s director of corporate new ventures watched his wife mop their kitchen floor. Thinking there had to be a better way to do the job, the director convinced P&G to take on the project. Forming two teams of its own and adding representatives from a design firm and an advertising agency, the company spent millions asking people what they wanted in an improved mop or bucket. Innovation teams also visited homes and watched people mop. In many cases, they found that the job was to clean the floor quickly and sufficiently without dirtying those who did the job. But most surprisingly, they discovered that half of the work involved cleaning the mop! The final solution was not an improved mop or bucket, but a new and completely different product. The Swiffer, which can be used to sweep just as well as a mop and doesn’t get users dirty and is fun and quick to use, is today a $4 billion product. Its success demonstrates that 1) customers often don’t know what they want until someone provides it, and 2) to know whether an innovative idea will work, we must not simply draw a blueprint but test the experience.
Understanding the Innovation Opportunity

To fully understand a problem that may present an opportunity to innovate, equipment finance leaders must first be extremely familiar with user/customer needs. Identifying a need prompts the next question: Why should we focus on this particular need and the opportunity to meet it? Who is the market for the product, and what is our desired outcome? Data should drive the big-picture goal of the opportunity, as well as the criteria for success.

To achieve clarity about the idea to be tested and desired outcomes, innovators should answer questions such as those posed in the worksheet in Figure 10. Answers should be as specific as possible and include measurable requirements.
### High Level Objectives

**Project:**

<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the problem or opportunity?</td>
<td></td>
</tr>
<tr>
<td>Why should we focus on this opportunity?</td>
<td></td>
</tr>
<tr>
<td>How Might We solve this (HMW?)</td>
<td></td>
</tr>
<tr>
<td>Desired outcome: What will be different 3-5 years from now?</td>
<td></td>
</tr>
<tr>
<td>What will be different 6-12 months from now?</td>
<td></td>
</tr>
</tbody>
</table>
Framing the Experiment

To use time effectively and identify a critical testing path, IFC participants advocated framing the experiment by listing questions (Figure 11), the answers to which will be important when testing begins. An effective way to frame the questions themselves is to begin by asking, “How might we ...?” “There will be lots of assumptions, and many will be wrong,” said a participant. “The idea is to make them conscious.”

Participants felt that using a highly structured process helps innovators focus. Said one participant, “We want to find out if we’re wrong as quickly as possible so we can back out, if necessary, and test another idea.”

FIGURE 11.

Framing the Experiment

What question(s) do we want to answer in our experiment?
What has to be true in order for us to be successful?
What other assumptions are we making?
What is most likely to go wrong?

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Ways to Experiment

Once an idea is framed and an innovation team is selected, companies can create an action plan for experimentation. Ways to experiment typically involve all or some of the five steps in Figure 12. However, where innovators begin on this path and which steps they include depends on the form of the Minimum Viable Product.

Proof of concept pertains to testing the feasibility of an idea and need not be extensive. Typical questions to be answered, if they have not been answered already, might be, “Will the new technology work?” and “Can it be mapped to our database?”

Building a prototype assesses customer desire. “We can build a cheap and lightweight prototype that we can test quickly, even if we’re sketching it on paper or creating a PowerPoint presentation,” said an IFC participant. The goal is to learn whether or not to move forward.

By the time a pilot is conducted, participants agreed, innovators usually know that the prototype will work and that the solution being created is a viable one. Said one participant, “At the end of the day, the sweet spot is to be in the middle, to optimize desirability, feasibility, and viability.”
Mapping the Process

As tempting as it may be to start experimenting, IFC participants thought companies would get better results if they took the time to map their intended process. To begin, innovation teams should focus only on the key players in each step. Next, they should think about the job to be done from the customer’s perspective. If a customer is involved, the problem must be solved in their terms. Process-mapping involves the following steps:

1. Draw out a simple process map or flowchart of the idea, focusing on just the key players and steps.
2. Think about the ‘Jobs to be Done’ from the customers’/ users’ perspective.
3. Start with the current process, if there is one, and determine the most critical elements.

Drawings may resemble the one in Figure 13.

Identifying Critical Elements

To determine the most important parts of the experimentation process, innovators examine the need and the market for innovation. Is a market study indicated to determine need and want, as well as the price customers would be willing to pay for the product? Critical elements help identify the thing or process having the most value, or the thing to be tested because other ideas don’t work. To find them, IFC participants suggested doing the following:
1. Note already-identified critical elements on your process map.
2. Use completed worksheets, such as those shown in Figures 11 and 13, along with notes about how you might solve the problem, to help decide the most important aspects to be considered.
3. Engage subject-matter experts, if necessary, to better understand all processes involved, along with technical possibilities and limitations.
4. Take notes during the process.

**Sketching Solutions and Creating Storyboards**

Once company leaders and innovation teams understand the opportunity being pursued and have defined goals and framed key issues and criteria for success, IFC participants said the next step is to consider not one, but a range of potential solutions. Devising more than one solution spurs creativity and can bring to light more thoughts and ideas that can enhance testing and, potentially, product development. Participants thought each member of an innovation team should sketch several possible solutions, such as the example (Figure 14), and include critical steps/elements. Teams should then select the best solution sketch and use it to create a storyboard (Figure 15). A storyboard can form the basis for pitching the idea to executive leadership.

**FIGURE 14.**

**FIGURE 15.**
Forming a Core Hypothesis

The desired outcome of an experiment is to reach a quick decision by testing a core hypothesis. Using the storyboard created earlier, innovators can now fashion an experiment template (Figure 16) that describes at a high level the opportunity the company is pursuing the hypothesis that will be tested. The template should also explain the hypothesis. Questions to be considered include the following:

- What problem does this solve?
- Who benefits from the solution and how?
- What is being tested?
- How much time and which types of resources will be required?

FIGURE 16.

| Customer Segment |  |
| Core Insight |  |
| Hypothesis |  |
| Describe the Test |  |
| Measuring Success (metrics / what is significant?) |  |
| Resources Needed (technical, human, external) |  |
| Estimated Budget |  |
| Timeframe |  |
Pitching the Idea Effectively

Lack of buy-in is the main reason many projects fail. “Colleagues like to do things the old way, and they worry they’ll become irrelevant if they’re no longer part of a certain process,” said one IFC participant. “As a result, you have to sell the project to employees.” Figure 17 illustrates an effective approach to presenting an idea to leadership and, potentially, explaining it to others afterward.

---

**FIGURE 17.**

<table>
<thead>
<tr>
<th>Specific customers/Users</th>
<th>Specific job(s) to be done</th>
</tr>
</thead>
<tbody>
<tr>
<td>_______________________</td>
<td>__________________________</td>
</tr>
</tbody>
</table>

This is worth pursuing because _______________.

<table>
<thead>
<tr>
<th>Pain to relieve/Gain to achieve</th>
<th>Business viability</th>
</tr>
</thead>
<tbody>
<tr>
<td>______________________________</td>
<td>____________________</td>
</tr>
</tbody>
</table>

Our long term goal is _______________, and we think the final solution will look something like this storyboard. The first thing we need to test is if ___________________, so we will ___________________. If the test is successful, we will _______________. If not, we will ________________.
Applying FIRE to the Customer Experience

“Customers want simple and fast data and functionality at their fingertips, whenever and wherever they need it.”
—IFC Participant, Captive

Customer satisfaction and retention are critical to the success of any equipment finance company. To that end, IFC participants applied FIRE to retention by simulating an experiment to build a customer app with full mobility and one-click solvability. With a single click, customers would have access to all functionality of a lease, from sales, compliance requirements, credit, and documentation to funding, portfolio maintenance, billings and collections, and end-of-lease procedures. All functionality would live in the Cloud, participants decided, providing simple and fast data and lease functionality whenever and wherever the customer desires.

With full automation as a goal, participants said they would build in an API (Application Programming Interface) to handle lease selection as well as lease terms, pricing, and credit evaluation. A quote would be prepared via electronic document, and a full electronic package would be sent to the customer for review and signing using DocuSign. Invoicing would also occur via e-document, and payment would be executed electronically. AI (Artificial Intelligence) would be used to monitor customer app choices and alert the equipment finance company if the customer is about to leave.

To begin, IFC participants said they would test app adoption by simulating a small rollout to a group of core customers. Successful adoption would result in further rollouts to additional locations. The first piece of technology to be built, participants agreed, would be a mobile platform that could identify bar codes placed on leased assets and adapt the information into the company’s existing database. Once the mobile platform is created, additional pieces would be included to ensure that asset data is sent to a data repository. As for specific pieces to be added, “The pilot would probably push us in a particular direction,” a participant remarked. The pilot would be “budgeted at $25,000 to create a small group of users, perform demos and collect feedback to ensure we didn’t miss anything customers might want,” the participant added.

Using FIRE on Utilization

“Some customers have many under-used assets. Why not offer to fractionalize the assets and Uberize them during downtime?”
—IFC Participant, Captive

Many companies have tangible assets that sit idle for days, weeks, or months. Truck trailers constitute a good example because they are unsophisticated assets with an overall 3:1 ratio of ownership to utilization. At any time, hundreds of thousands of them wait in carrier yards and at terminals.

To innovate a solution, IFC participants sought to fractionalize trailer usage across a large customer base by matching owners with potential users through a platform and mobile app. Not only would such matching
deploy unused assets; it would maximize trailer inventory, create sustainability, and offset the costs of the initiative. The enterprise could also open doors to new lines of revenue as the equipment finance company partnered with one or more trailer manufacturers to finance and fractionalize the underused portion of these assets. Finally, the equipment finance company could potentially add another revenue line by using trailer side surfaces for advertising.

They would determine the supply of unused trailers through title searches. They would then query owners as to their interest in renting out a portion of their asset(s) to other users. Next, they would analyze demand to decide whether or not to go forward. High demand would spur online target-marketing, which would capture the locations of those who respond with interest in renting a trailer. This data would then be used to test-market the idea. “We’re not interested initially in owning these assets; we simply want to use the idle assets of others,” said a participant. “Then we’d identify adjacent product lines, such as trailer maintenance, retrieval of abandoned rentals, and advertising on the asset.”

To determine the business model, IFC participants agreed that they would first need to understand the economic model, including the number of idle trailers and the price at which owners would part with them and be willing to put them on the rental platform. “Once the equipment is on the platform, we’d calculate the rental fee we would charge for each trailer, and we’d share a portion of that with the owner,” said one participant. Potentially, the long-term business model could include not only the matching product but the ownership of a fleet of trailers. “As much as we would build controls into the app, we’d still have sub-leasing agreements,” a participant theorized. The app could be partitioned, much as Uber’s app, between asset owners and users, and include a rating process to create value in the platform.

Applying FIRE to Efficiency

“Colleague buy-in is our biggest challenge. It’s why many projects fail.”
–IFC Participant, Independent

In this simulation, IFC participants focused on three areas of a provisional equipment finance company that would benefit from increased efficiency: credit; asset management; and customer-reporting. The idea to be tested, participants agreed, would be the implementation of electronic signatures and e-documents, innovations that would benefit both the company and its customers. But because “Colleagues like to do things the old way and worry that they won’t be relevant if not involved in the new process,” in the words of one participant, innovators would need to sell employees, as well as executive leadership on the idea.

Participants named the idea’s value stream “CLICK,” denoting the simplicity and speed that implementation would bring to all parties using the innovation. To understand the issue fully, participants said they would poll customers and listen to their needs. Customer research would also be used to select a technology vendor for the project. Next steps would include a cost-benefit analysis to create an estimated ROI, and construction of a technology platform for presenting and demonstrating the solution. To enhance employee buy-in, each level of company management would be asked to sign off on the plan.
Strategic planning would be used to create a project timeline, tollgates, and procedures, participants said, and company leaders would create a policy requiring execution and adherence to procedures. “We’d then pick our best customer and test the solution for one week, make changes as needed in response to feedback to refine the process, and then launch the product,” said a participant. Customers would simply CLICK to e-sign and execute documents.

**Conclusion**

Obstacles to innovation exist at many equipment finance companies. Even when everyone is in favor of change, roadblocks can materialize from disagreements over how to proceed, who will perform the work, and how innovation will be funded.

To stay ahead of ever-evolving industry challenges, equipment finance leaders must embrace innovation as a vital element of their strategic planning. Partnering with technology vendors, Fintechs, and consultants may be necessary to jump-start the process. Reluctance to adopt innovation increases the risk of losing market share and, potentially, relevance.

Executives are more comfortable prioritizing and planning for items that produce immediate, tangible benefits. To enable innovation, participants said company leaders must implement a new portfolio approach to budget allocations. Dedicating funds up-front for test-and-learn processes, as well as for maintenance of core business and development of adjacent markets, would benefit all parties: equipment finance companies; customers; and the industry as a whole. Up-front allocation would also balance the needs of the current business with the need to create viable options for the future.

Participants advised beginning the innovation process by experimenting and achieving small successes, then continuing innovations to make improvements. To do this, company leaders and innovation teams must learn to examine situations differently and ask more questions. An example: If a product, service, or market is currently 2% of company business, is there a way to make it 30%?

Embracing innovation and incorporating it into the day-to-day agenda represents a new way of doing business. However, today’s cutting-edge differentiator has only a seat at the table tomorrow. Companies that are not innovating will have to continually play catch-up, participants concurred.

The observations, points, and tools in these pages are intended to assist equipment finance companies in positioning their businesses for success through embracing innovation. By adopting innovative strategies such as FIRE, traditional equipment finance companies can not only create a competitive advantage; they can also invent their own future.
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Snapcap, by Lending Tree: https://snapcap.com/equipment-loans-v1?esourceid=6328126&cid=433566852&agid=36191545182&medium=cpc&source=google&campaign=LoanType-Equipment&term=equipment%20financing&content=172988902735&targetid=kwd-12186232&adpos=1o1&device=c&network=g&mtaid=6E0BE&gclid=CjwKCAjwyycfkBRAFEiwAnLX5leG2-7-pMm1Ttpz6QIEhMcuCdBQHJ8OOQn-LK5G9HIDOV441QBqhfyJR0CMc4QAaD_BWE&gclsrc=aw.ds


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