Captive Finance:

Embracing Change and Driving Innovation in a Disruptive Market

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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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Preface

What makes a captive finance company successful? Why are some captive finance companies performing well while others continue to struggle? How can a captive finance company provide additional value to its Parent?

The impact of the pandemic combined with challenging economic and political conditions not only brought to light weaknesses in the captive finance industry, but at the same time accelerated positive change. These challenges and opportunities were examined as part of the Equipment Leasing & Finance Foundation **Captive Finance: Embracing Change and Driving Innovation in a Disruptive Market** study to isolate both the reasons behind, why, and what steps captive finance companies can take to ensure their viability and value to their Parent.

The Equipment Leasing & Finance Foundation commissioned Capgemini, a leading global consulting firm, to research and produce this study for the industry. The Capgemini team consists of equipment leasing and finance industry experts and next-generation talent who've conducted internal and external research, interviews, and analysis for the study. Each member of the team brings experience working directly with clients within the captive and equipment finance industry. Capgemini also had the opportunity to collaborate with the Foundation's Steering Committee in validating the framework and prioritizing topics for the study.

The study is based on industry research and responses from leading captive finance companies across a wide spectrum of sectors, ticket sizes, market approaches, and geographies as well as non-Captive finance company leaders and service providers. Participation in the study was voluntary and for the common good of the industry.

Several companies took time from their daily operations to contribute to the study by completing a 32-question survey. In addition, multiple industry executives took part in an interview designed to get a first-hand perspective on the critical issues and trends impacting the equipment finance industry.

The Foundation and Capgemini would like to thank those who participated in the study. Without their support, this study would not have been possible.

Executive Summary

Captive Finance: Embracing Change and Driving Innovation in a Disruptive Market is a 2022 study completed by Capgemini, covering a variety of topics relating to the evolution of a captive finance company (“Captive”). This study will address the relationship between an equipment or software manufacturer (“Parent”) and its Captive, the evolution of Captives and their customer demands, the effects of modern technology on this dynamic, and finally, the outlook for the future of the captive finance company industry.

By examining each of these elements, Capgemini and the Equipment Leasing & Finance Foundation, with the help of industry participants, were able to pinpoint the challenges and opportunities presented within the current state of the equipment finance industry. Three leading trends within the industry that are shaping the future of equipment financing as a whole were identified. The identified trends include:

Trend #1 – Providing a one-stop shop for equipment delivered through a seamless omnichannel digital experience

Trend #2 – Offering customized/personalized solutions in an efficient and cost-effective manner

Trend #3 – Leveraging data-driven management and decision making

Captive Finance: Embracing Change and Driving Innovation in a Disruptive Market is supported by data from the 2022 Capgemini Captive Finance Survey that was sent out to all participating companies, extensive research by the Capgemini team, as well as interviews of executives from today’s leading Captives. While business models may differ, we found that both Captives and non-Captives are challenged by system limitations, data deficiencies, and rising customer expectations

In today’s day and age, many unique factors that we have never seen before are contributing to the changes and evolution within the industry. COVID-19, while not a main topic of this study, still has had a dramatic effect on the industry, and has contributed to other social and economic challenges, including inflation, supply chain issues, and the “work-from-home” culture. The purpose of this study is to reflect on the past and current state of the industry to better predict what the future holds and how the captive finance company industry can be sustainable in an ever-changing environment.

Introduction

Captives know only too well that while they protect their existing business models, they are facing a changing marketplace. How individual companies will fare in this unfamiliar world is hard to predict. Some may be squeezed out by new entrants such as technology companies and startups with the flexibility to react to changing customer needs. Some smaller providers may merge with larger companies, perhaps moving from captive into non-captive business. Other providers will thrive, adapting to the new environment and achieving continued growth.

A Captive is an entity formed by a Parent for the purpose of financing Parent products offered for sale through dealer networks or directly by the Parent.

There are plenty of articles and studies identifying a number of trends that threaten to disrupt the equipment finance industry, specifically Captives. We launched this study to find out how Captives perceive some of these trends, as a basis for discussion about how companies can best respond.

In this report, we paint a picture of the future that draws on all of these sources. To supplement our findings, we've threaded our survey data throughout this study to accurately capture the opportunities that Captives are faced with in today's disruptive market. The completed survey data can be found in the appendix of the study. In addition to describing current trends, we look at some of the factors that could enable captive finance companies to stay relevant and thus strengthen their market position.

State of the Equipment Finance Industry

U.S. Economy

After expanding for six consecutive quarters, the U.S. economy contracted during the first two quarters of 2022 due to weak exports and a slowdown in consumer spending. Gross domestic product (GDP) fell by 1.6% in Q1 and by 0.6% in Q2. To control inflation, the Federal Open Market Committee continues to raise the federal funds rate, resulting in the largest rate hike in 28 years. As of July 2022, the federal funds rate was raised from 2.25% to 2.5% to reach 3.4% by year-end. In addition, the committee raised its full-year inflation forecast to 5.2%, with the expectation of 2.6% in 2023 and 2.2% in 2024. Committee members expect the unemployment rate, now near a 54-year low of 3.6%, to remain below 4% through 2023.

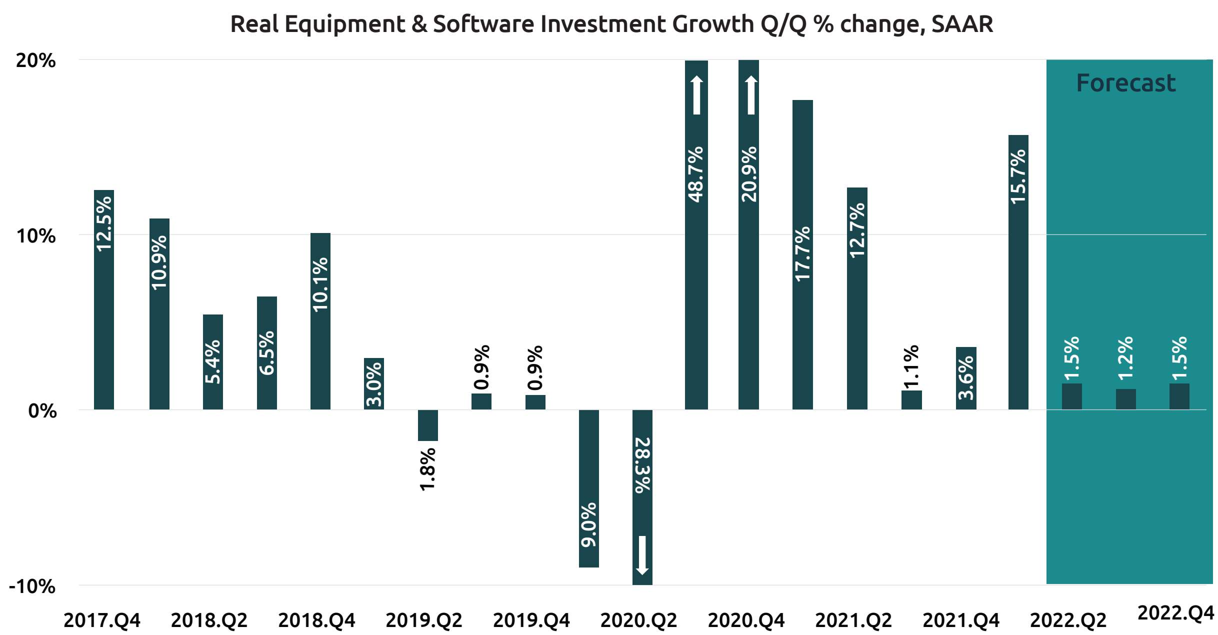
According to the Foundation's 2022 Q3 Update to the Equipment Leasing & Financing U.S Economic Outlook:

> *"Following negative GDP growth in Q1, downside risks continue to plague the U.S. economy. While the labor market is still strong and consumer spending has largely held up, the economic outlook has clearly soured, and things appear likely to get worse before they improve."*

Equipment and Software Investment

Fueled by strong growth in the first half of the year, 2021 corporate investment in equipment was at its highest level in the last decade, with a growth of 13.1%. This record-setting growth continued into Q1 2022 with an increase of 16% (annualized) but has shown a decrease in Q2 as uncertainty regarding inflation, supply chain issues, rising interest rates, looming fears of recession, COVID, and other macro-economic factors continue to pose challenges for the industry. It is predicted that in 2022, equipment investment will only grow by 5.9%.

Figure 1. E&S investment growth is forecasted to slow significantly as businesses contend with inflation, supply chain issues, and rapidly rising interest rates.



2022 Q3 Equipment Leasing & Finance Industry Snapshot

Equipment Finance Industry

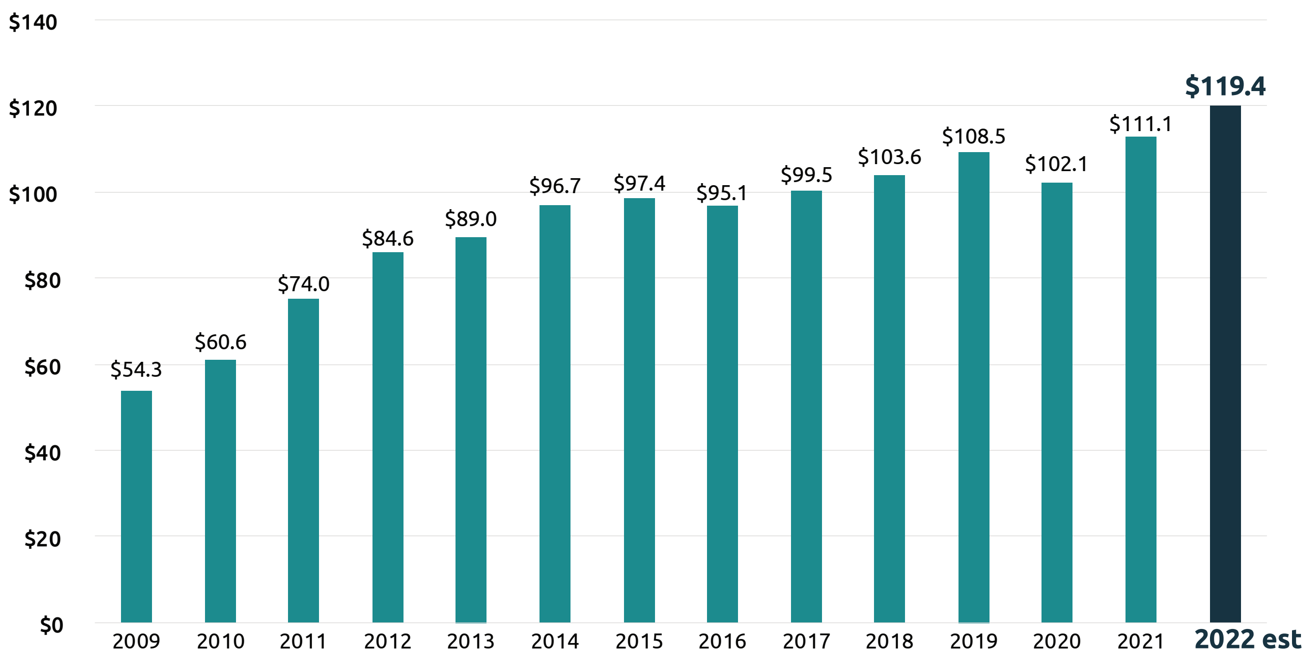
Despite the economic headwinds, several equipment verticals remain in expansionary territory, including construction, railroad equipment, ships & boats, computers, and software, all of which saw double-digit investment growth in 2022. Demand for most sectors has been strong but rapidly rising interest rates and supply chain shortages continue to put stress on the industry.

Construction, agriculture, and other industries sensitive to interest rate volatility are showing signs of weakness while mining & oil, agriculture, and transportation-related industries are facing supply chain and geopolitical concerns.

ELFA's Monthly Leasing and Finance Index (MLFI-25) indicates that new business volumes in May 2022 were 16% higher from May 2021 and up by 8% year-to-date. The 3-month moving average increased by 8.2% in May and is up 12%.The Monthly Confidence Index for the Equipment Financing Industry also increased modestly yet remained below the historical average of 59.6.

The graph below indicates that the growth of corporate equipment investment will translate into a moderate growth of new business for the equipment finance industry.

Figure 2. ELFA MLFI-25 New Business Volume Billions of $



ELFA MLFI-25

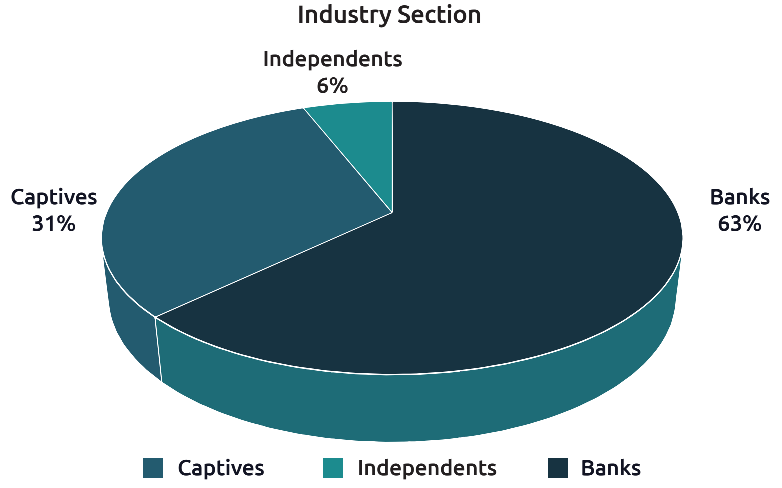
Industry Market Share

Over one trillion dollars of equipment finance is provided by three distinct categories of players:

Banks;
Captives; and
Independents.

As shown below, based on new business volumes (NBV) in 2021, banks' market share is nearly double that of Captives.

Figure 3. Market Share based on New Business Volumes 2021



ELFA, "2022 Survey of Equipment Finance Activity," 2022

Banks' ability to leverage existing customers, low infrastructure cost, low cost of funds, and low customer acquisition cost have made independent leasing companies attractive acquisition targets. Captives on the other hand have an edge in the equipment finance business as they can leverage their Parent's knowledge on useful life assessment, residual valuation, special pricing transaction structures, higher end-of-lease satisfaction et al.

Overall, both portfolio and performance metrics showed improvement in 2021. Although banks had lower delinquency levels as compared to Captives, in general, delinquency levels decreased in 2021 as compared to 2020 for all market participants.

The equipment finance industry in general had a better ROE of 13.0% and ROA of 1.6% in 2021 as compared to the 2019 figures of 10.9% and 1.4% respectively. The 2020 figures of 5.1% and 0.7% are noted but set aside due to the occurrence and repercussions of COVID-19. The 2021 rebound trickled into 2022. However, the 2022 projections of stunted growth seem to reflect the impact of the macroeconomic factors discussed in the earlier section. While banks have a higher share of the equipment finance market, they had the smallest growth in 2021 with a 3.5% increase in new business volumes as stated in the ELFA 2022 Survey of Equipment Finance Activity Report. On the other hand, Captives had a 14.6% increase in new business volume in 2021. Comparatively, in 2019, banks had a 12.8% increase in new business volume while captives possessed a 6.9% increase.

Evolution of the Captive

What are the value drivers *and* priorities *for your Captive business today?*

Digitalization, personalization, mobility, multi-channel, and connected assets – these topics only represent a fraction of what is currently shaping the captive finance industry as indicated by survey respondents for the study. Previously, Captives were in the midst of a protected environment that was stable and divided among the key players, namely the OEMs, dealers, OEM-related Captives, independent lenders, and banks. Growth was mainly driven through equipment sales, and Captives controlled competition through strong relationships with dealers or customers' brand loyalty to OEMs. These strong relationships encourage other financial ties, including floor planning for dealers and pre-approved credit lines for borrowers. In some cases, Captives are the "lender of last resort," especially in tough economic times.

Growth is still important, but at the same time, it is necessary to modernize the system landscape and simultaneously standardize processes. 70% of survey respondents selected dated workflows and processes as having the greatest burden on their business, followed by outdated and irrelevant data at 60%, and compliance and regulation factors at 50%. Modernization will not only provide the relevant infrastructure to accelerate continuous growth but will also result in valuable efficiency gains. With regulatory requirements becoming stricter and thus impacting the use of equity, Captives are being forced to focus and invest more in risk management and identify measures to counter the loss of profitability. Furthermore, the competitive environment is continuously changing, new players are entering and disrupting the market, and established players are adapting their business models. The time and effort required by the business as well as the cost to upgrade technology are just two of the challenges faced by Captives looking to move off of their legacy systems. A greater and more focused effort is necessary to develop ideas that enable incumbent Captives to stay competitive in an evolving market.

While the challenges and opportunities are similar, the current level of IT and Operational maturity of today's Captives varies greatly.

Additionally, customers are developing new habits in their interactions with financial institutions and thus are changing their expectations and needs for the future. The process of financing equipment, including its configuration, is changing significantly and therefore needs to be adapted. New services are offered to enhance the complete customer experience and promote brand loyalty. It is time for the classic setup of Captives to adapt and to keep up with all the new influences before customers are lost due to competition or outdated and inefficient business models.

A Change in the Customer Mindset

Convenience is key. Survey participants are expecting customers to look for more convenience and simplicity when it comes to conducting business with Captives. Customers expect seamless transitions between online and offline experiences. Customers' digital maturity is constantly increasing as they are using online channels for many transactions in their daily life, such as ordering goods or banking services. This often leads, in consequence, to Captives' customers being more and more dissatisfied with the necessity to apply for financing in a disconnected online and offline environment. Digitally savvy customers expect leasing and financing partners to provide a full application process online, without any interruptions. The process is expected to be “Google fast and Apple easy.” In apparent contradiction to this, however, survey participants expect those customers – driven by, for example, asset volume or emotional involvement – want to visit the dealership or some intermediary offline. In this respect, a seamless customer experience is imperative. The availability of a comprehensive ecosystem, including consistent data, for all customer touchpoints and an overall digital strategy is key to fulfilling customer expectations – a standard that has already been implemented in other industries.

Figure 4. What are the top 3 things you expect your customers will demand within the next 2 years?

The analysis shows that the discussion about digital channels is multifaceted. First, it can be seen from a sales perspective. Historically, almost all revenues were generated via dealers and other indirect channels. The evolving digital world opens new opportunities for Captives to build strong direct relationships with their customers via direct sales channels. Building on this capability represents an opportunity to grow closer to the customer and might even become a prerequisite for Captives if they are to stay relevant in a rapidly integrating digital world where customer touchpoints are crucial.

As mentioned above, convenience is the key to channel partner and customer experience in the digital age. This does not only apply to channels but can be transferred to products and services as well. Bundling of financial and non-financial products is seen as a key differentiator in the increasingly demanding environment. It must be noted that the price for a product or service will not be the single differentiator. There was a clear and consistent message from interviews with Captive leaders – we will never have the lowest cost of funds.

Innovation remains a challenge for Captives, as their major growth drivers have in the past been financing and leasing products. It is not surprising that innovation has been widely neglected. Obviously, there are different variants of the products, and they are often combined with service components that a customer can choose. However, compared to other industries and even to the OEMs the degree of innovation in Captive organizations is low. Convenience, including bundling of products and services on a single contract and invoice will increasingly drive financing decisions. These innovative, and often complex solutions must be delivered through an overall customer experience that is on par with those currently found in the consumer space.

Tailor-made Captive solutions sound like an ideal scenario, but they are difficult to implement and operationalize from a product management perspective. A high degree of standardization allows for better management of revenue streams and reduced complexity.

To fulfill customer expectations and manage the described evolution, Captives must digitalize key areas of their business. Over the next two years, nearly one-third of Captives predict customers will demand seamless and intuitive experiences across all physical and digital channels. Tied for second at 18% was the enhancement of self-service capabilities and offerings on flexible pay-per-use financing solutions. As many of these players have been operating in a conservative and classical banking environment for many years, a substantial mindset shift must be achieved.

The Captive industry is changing with this shift away from pure products to integrated solutions which focus on customer expectations. This trend can be seen in many industries right now. However, some Captives are lagging and have not fully embraced digitalization and what it means for their organizations.

Disruptive Trends and Customer Needs

The onset of COVID-19 not only accelerated trends that were already underway but created opportunities for organizations to differentiate themselves. In order to address these post-COVID trends, traditional lending and leasing organizations must transform their business operations and revisit their long-term strategies. In many cases, this transformation can lead to better operational efficiency, lower costs, and enhanced customer experience. As part of the study, we identified several trends impacting the leasing and lending industry today.

- Environmental, Social and Governance (ESG)
- Attracting and retaining top talent
- Adapting Hybrid work environments
- Equipment leasing M&A activity
- Increased regulation
- Impact of fintech
- One-stop shop omnichannel experience
- Digital transformation
- Data decisioning
- Customized products and solutions
- Self-service capabilities

The following three trends were selected as the most crucial by study respondents.

Trend #1 – Providing a one-stop shop for equipment delivered through a seamless omnichannel digital experience

Digital Capabilities are the use of technology to change how the company interacts with customers, structures its organization and people, operates internal processes, or defines its business model.

A top priority for most Captives is building brand loyalty by offering a one-stop shop for acquiring and financing equipment. Today, more than ever, customers expect a streamlined digital experience with a single look and feel across all touch points.

Whether the Captive and Parent go to market together or separately, the lack of integrated systems is an ongoing challenge. In the 2009 Captive Finance Survey, 65% of respondents reported that their future technology strategy will include increased integration with the Parent; however, today, 100% surveyed said they have limited integration with internal and external systems and approximately 75% indicated that they still do not have any integrated customer support systems.

Digital Transformation (DX) is the integration of digital technology into all areas of a business, resulting in fundamental changes in how a business operates and the value they deliver to their customers.

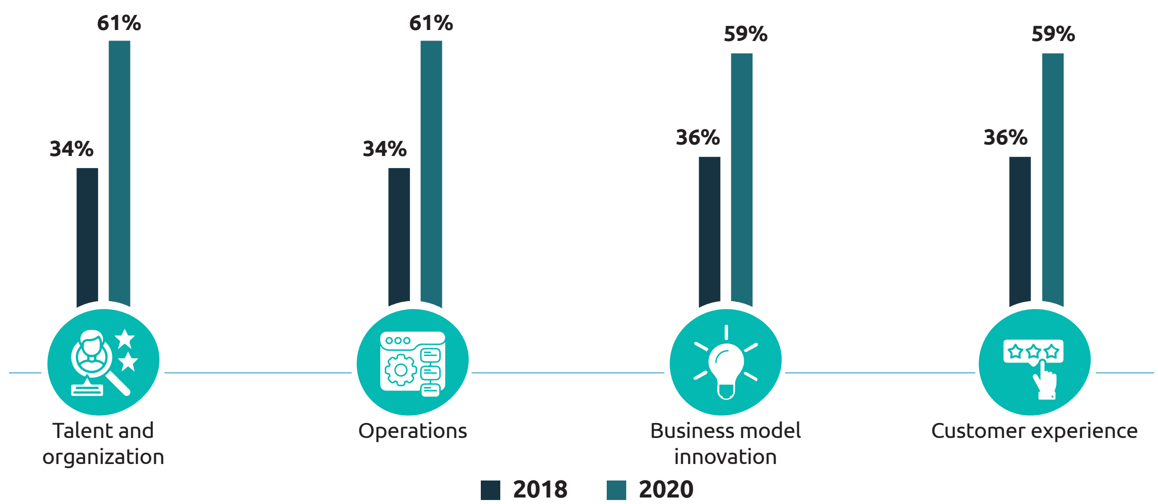
Separate customer relationship management systems hinder pipeline and sales management, and data from a variety of sources must be pieced together to have full visibility of a single customer relationship. Numerous platforms, each with different user interfaces, security protocols, and access points, have an inconsistent look and feel for customers. Multiple handoffs cause delays in processing transactions along with duplicate data entry and other operational inefficiencies.

Figure 5.

While 90% of Captive survey respondents believe the pace of digital change is increasing compared to pre-COVID, only 56% indicated that they have begun moving toward a digital ecosystem citing "time and effort required by the business" as the main reason Captives and Parents continue to operate on outdated legacy systems.

Capgemini's Research Institute examined the digital transformation progress of 1,000 organizations over the 2018-2020 period. On average, in 2020, 60% of organizations said they had digital capabilities required for digital transformation, up from 24% in 2018. There is no doubt that the pandemic has been a major catalyst for organizations to pay more attention to their digital transformation. In fact, it has forced many companies to reinvent themselves and accelerate their transformation.

Figure 6. Percentage of organization believing they have the required digital capabilities



Capgemini Research Institute, "Digital Mastery: How organizations have progressed in their digital transformations over the past two years," 2021

Even before the pandemic, organizations started to increase their investments in digital transformation. According to the International Data Corporation (IDC), spending on the technology and services that enable digital transformation has been increasing since 2018 despite the challenges presented by the COVID-19 pandemic. According to IDC, 53% of enterprise organizations have an enterprise-wide digital transformation strategy, a 42% increase from just two years ago!

Although demand for digital and self-service capabilities is dependent on the Parent's industry, customer profile, and deal size, today's "anytime, anywhere, any device" approach to work has accelerated the need for digital and self-service capabilities across all Captives. Captives offering larger customized solutions tend to lean toward traditional channels while those offering smaller, commoditized products favor digital channels. In many cases, it's not one or the other, but both, as indicated by 70% of survey respondents who believe their customers will demand improved self-service capabilities within the next two years.

Figure 7. Capgemini Captive Finance Study original infographic

Lack of automation, immature self-help solutions, and even high-contact volumes can undermine program delivery and create a bad customer experience. Organizations must understand customer frustration runs high when the resolution path is cumbersome, characterized by poor handoffs between support levels and a lack of personalization that doesn't recognize the lifetime value of a customer.

Customers are demanding a unified and comprehensive approach that gives a single, accessible, and simple point of contact – what Capgemini refers to as the "Frictionless Enterprise." An integrated workforce of live agents and automated support services enables customers to choose the route that best suits their needs, so they have a seamless, personal, omnichannel experience. There are high volumes of repetitive queries that don't require human interaction, best handled through AI-powered digital channels. This reduces the cost per transaction, increases accuracy, and provides "always-on" access to service on digital devices.

Trend #2 – Offering customized/personalized solutions in an efficient and cost-effective manner

Captives are experiencing increased pressure from customers to provide customized financing solutions. Everything from the simple bundling of software and services with Parent hardware to the most complex pay-per-use model without minimums or a purchase commitment.

The challenge is that customized solutions can be time-consuming, manual, and difficult to scale. This is especially cost-prohibitive for the low-cost, commodity-type transactions financed by many of the Captives. In most cases, Captives' legacy systems are not capable of tracking and managing variable usage and billing options and the time and cost to upgrade or replace are substantial. In addition, Captives struggle with credit, legal, and accounting complications associated with these alternative financing options. Captives have traditionally been risk-averse when it comes to bundling soft costs and non-Captive equipment. Legal is reluctant to forgo the "hell or highwater" protections and accounting must deal with the impact to balance sheets and income recognition methodologies.

Whether we like it or not, bundled products and flexible pay-per-use financing options are here to stay. 80% of Captives surveyed believe demand for pay-per-use or flexible consumption product demand is increasing with 50% identifying "offering flexible pay-per-use financing options" as one of the customer's top three demands in the next two years. 100% of survey respondents believe bundling Parent equipment with software and adding flexible consumption capabilities will be part of their future go-to-market strategy.

The good news is that Captives often have an advantage over banks and independents when it comes to bundled and pay-per-use financing solutions. In addition to leveraging Parent data used to price deals, predict usage, and set residual values, Captives may benefit from blind discounts and residual protection while building brand loyalty and improving customer retention.

Trend #3 – Leveraging data-driven management and decision making

Data is the digital representation of an organization's past and present, encompassing its process and interactions with customers, ecosystem, and market.

Given the rapid pace of change in technology, the hypercompetitive business environment, and increasing customer expectations, organizations today need to adapt and reinvent quickly to deal with uncertainty. Data is a prerequisite for digital transformation. In this unforgiving environment, harnessing and applying data and analytics is a critical enabler for digital transformation success and innovation.

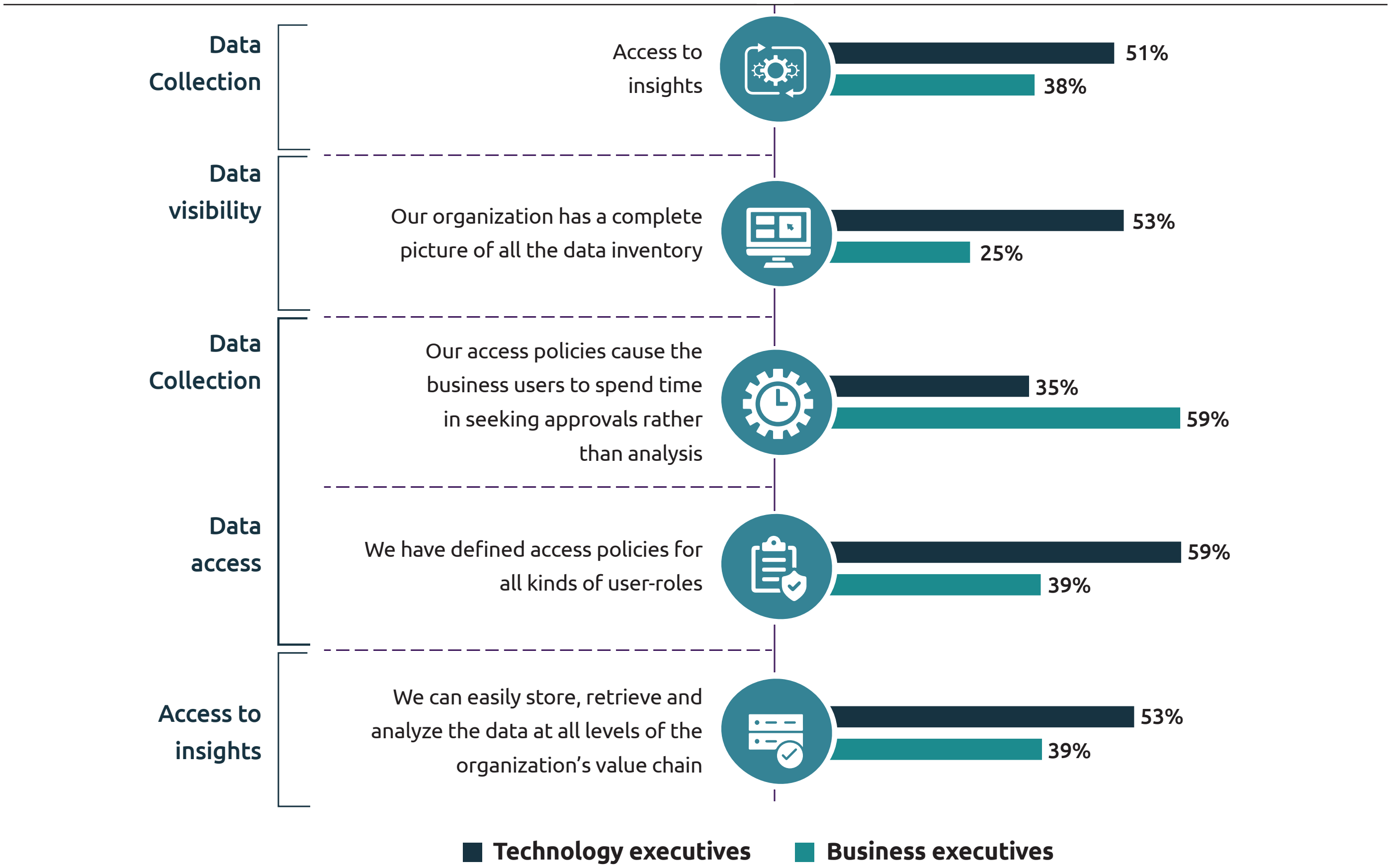
While there is evidence that organizations are making progress on data-driven decision-making, decision-making largely remains reactive, looking at what happened in the past (descriptive) or why it happened (diagnostic). Actionable data is the most critical factor in digital transformation. But aside from a few high-performers – what we call Data Masters – our research shows that data capability is patchy among many organizations today.

Disparate systems, data silos, lack of data governance, and data quality issues are preventing Captives from moving forward with their data decisioning strategy. Nearly 80% of Captives surveyed believe their data is incomplete and unreliable. This coupled with the high cost of upgrades and/or replacement of legacy systems and the large investments in data management tools and staffing necessary to collect and analyze data round out the Captives' list of data concerns.

Data-driven decision-making is critical for organizations to strengthen and reimagine customer engagement. Data can become a strategic asset in enhancing customer loyalty while data-driven patterns and insights can help organizations find solutions for customer issues. Captives' top data analytics and objectives include:

- Better understanding of customers to anticipate their needs
- Personalizing the customer experience
- Using artificial intelligence to drive business decisions and solutions
- Improve risk management and modeling capabilities

Figure 8.



Capgemini Research Institute, "The data-powered enterprise: Why organizations must strengthen their data mastery," 2020

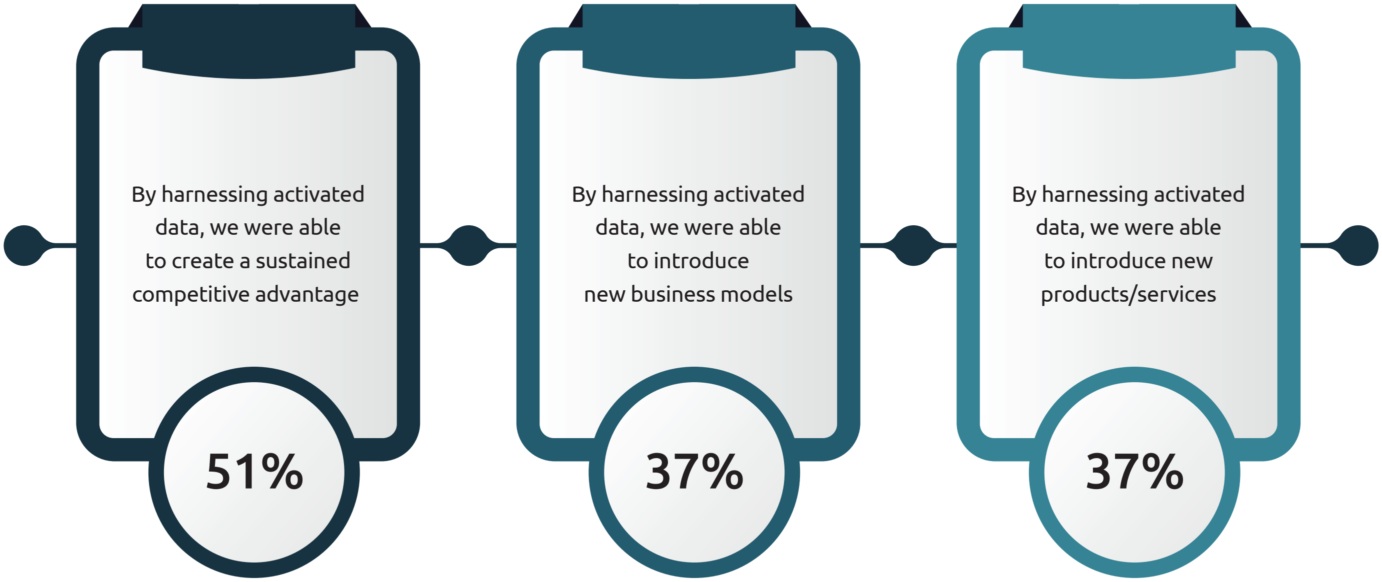
Data-powered enterprises create, process, and leverage data proactively to fulfill corporate purpose, achieve its business objectives, and drive innovation.

The past two years have witnessed a boom in emerging technologies such as artificial intelligence, the internet of things (IoT), automation, and virtual and augmented reality. However, only a minority of organizations are driving business value and outcomes through data-driven insights. The use of algorithms, insights, and intelligent automation for decision-making and transforming data and insights into actions helps organizations predict market dynamics, anticipate trends, identify customer behavior, manage risk, find operational efficiencies, grow, and innovate.

Captive survey respondents believe artificial intelligence, followed closely behind by the Internet of Things will have the greatest impact on the Captive finance industry.

- Artificial intelligence - fraud prevention, credit decisioning, risk management regulatory compliance, customer behavior
- Internet of Things Technology - Wet Ink technology, collateral tracking, monitoring asset usage

Figure 9.



Capgemini Research Institute, "The data-powered enterprise: Why organizations must strengthen their data mastery," 2020

By leveraging AI-driven data platforms Captives will increase productivity and reduce manual processing. It can be used for real-time usage tracking and reporting for flexible usage billing, auto credit scoring & auto-decisioning, managing sales and operations team performance, identifying unprofitable products or customers, and providing value to partners.

To build a frictionless business, having access to data and digital is not enough. Neither is replacing humans with machines through leveraging AI. The processes that organize an enterprise must be completely reimagined to be able to implement intelligent automation and create a digitally augmented workforce at scale.

Data-powered enterprises win market share by delivering better and more personalized products and services to consumers and businesses, enabling the whole enterprise to leverage data and make faster and better decisions to drive operational excellence and competitiveness. In order to succeed data and AI-powered transformation needs to be embedded in the business, empowered by a data-powered leadership and culture, as well as technology usable by all, leveraging all data assets.

Approaching Innovation

Effective Ways to Create New Products, Services, and Ways of Working

In view of all the current and imminent changes to portfolios, business models, and relationships, the ability to innovate is now a key success factor for Captives. Each company will need to determine and implement an innovation strategy to suit its situation and ambitions.

In the otherwise traditional agriculture industry, for instance, smart farming, precision agriculture, and use of industrial internet of things (IoT) has been gaining prominence. The use of technology in the agriculture industry provides viable solutions to help increase crop production thereby improving efficiency and profitability.

John Deere, the world's largest agriculture equipment manufacturer is releasing its first autonomous tillage tractor which *"uses artificial intelligence and agronomic data to precisely map and plow fields"*. The software will collect and store agronomic data and will allow farmers to get more productivity out of the land.

Although the executive team at Deere has not disclosed the pricing model for the software yet, they have considered offering the self-driving tractor through a subscription model. Using a subscription model to sell or lease the driverless tractors can result in higher margins and drive revenue growth.

From a technology standpoint, the emergence of the internet of everything (IoE) has presented great opportunities for IT innovation and solutions. It introduced flexible consumption models such as pay-per-use (PPU) that are beneficial to both the company and its customers.

Cisco Systems Capital Corporation ("Cisco Capital") is positioned to provide competitive financing delivered as a bundled service on Cisco technology purchases. For instance, in 2021, Cisco Plus was launched as a new brand to transform flexible consumption models through platform, offer, and experience innovation for cross-architecture solutions. To simplify the buying and operational experience, Cisco Plus offers *"unified subscriptions that are simple to use, deliver predictable outcomes, and provide intelligence from AI-driven insights and automation to drive performance and cost optimization"*. This allows Cisco to take care of the complexity of IT challenges so that customers are able to direct their focus on business objectives.

Cisco's offerings have accelerated technology adoption and made it more accessible for their Parent company, partners, and end-user customers from a variety of industries. Companies can manage their cash flow return on investment (ROI) to increase efficiency when initiating new processes, storage, and data networking. As a result, business innovators have the opportunity to elevate their proposals and evolve with technology to meet customer demands.

According to a study by Precedence Research, the global medical device market was valued at $550 billion in 2021 and is expected to reach $850 billion by 2030. Faced with older equipment that is expensive to maintain or replace, healthcare executives are looking for creative ways to acquire medical equipment. While the industry has historically used loans and tax financing to purchase equipment, the more flexible pay-per-use and fee-for-disposable models have become more popular in recent years.

Today, collaborative arrangements, such as performance contracting with payments based on hitting certain performance targets such as patient outcomes or reduction in energy usage, and managed service agreements that bundle everything from building construction, equipment, maintenance, service, and even staff augmentation into a single financing package, are gaining interest.

Philips, a leading health technology company, has taken this one step further by creating managed service partnerships with healthcare organizations. Philips works in partnership with their customers as an extension of its team taking responsibility for "planning, procurement, implementation, maintenance and performance services of its customers integrated medical technologies and AI while helping to improve operational performance and optimizing the total cost of ownership."

Through our research, we identified varying levels and maturity of innovation management across all types of leasing and lending companies. Across the broader financial services industry, 85% of companies have established an innovation management function; some have started creating one, and only a small proportion do not have one. Digital transformation is no longer a new phenomenon, but firms continue to up their investment in it. 62% of companies report investing "more' to "a lot more" in digital innovation compared to five years ago.

Of course, not every company needs a separate innovation management function – everything depends very much on size and strategy.

Unsurprisingly, given the variation in maturity with respect to innovation management, there is no consistency in the approach to identifying relevant innovations. A wide range of sources are used, including customer and partner suggestions, conferences, external support, and the company's own market research.

In terms of the areas of innovation on which Captives are focusing, again there is a wide variety of approaches. Artificial intelligence is a key focus area today. However, target areas for innovation include all aspects of the application process, particularly credit and documentation, as lenders aim for "touchless" originations for the small-ticket segment of their business. Chatbots for automating aspects of customer service is another key area, along with the "next best offer" process.

Embedding Innovation in the Business

Captives know that they can only truly benefit from innovation if they anchor it to their business process and embed it in the organization. On the other hand, there is little agreement about the right approach to doing so, or to the governance required.

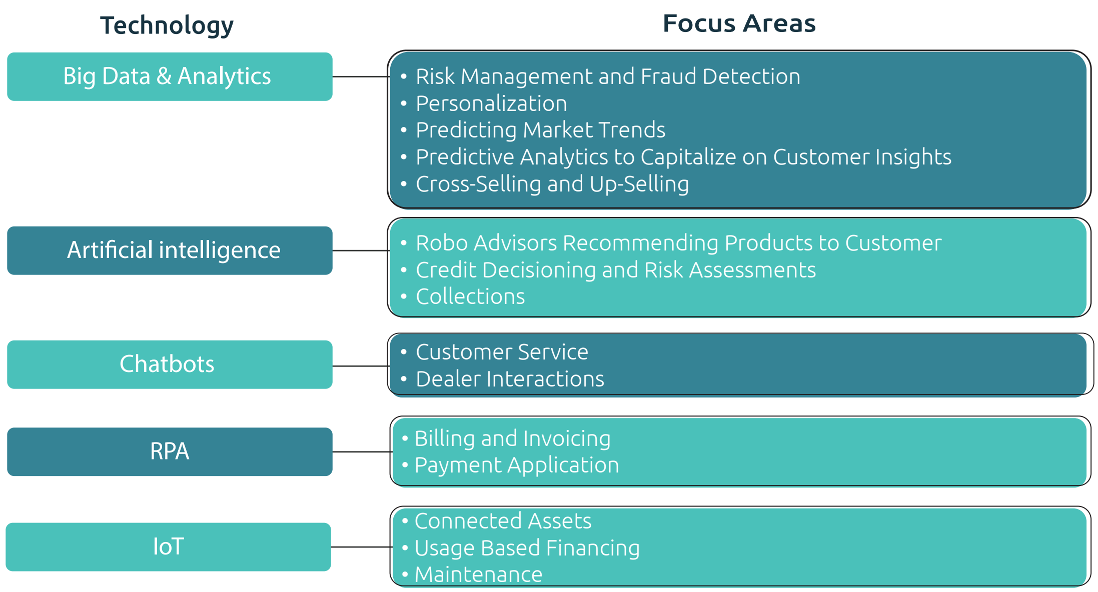
A key question is how innovation should be structured – should it be integrated into existing business units, assigned to a separate, independent unit, or something in between? The answer depends very much on the corporate culture. If a company is not, in general, open to new ways of doing things, then it may make sense to create a separate unit that has the freedom to experiment.

Two key points to take into account when approaching innovation are customer involvement and the optimal use of technology. Customers, internal and external, should be integrated into processes – from product design ideation to development. Traditional approaches such as surveys and anecdotal information from relationship managers won't achieve this, so Captives need to look at new tools for continuous customer integration, such as monitoring and analyzing social media data, and moderated online panels. With a combined percentage of 58%, Captives believed that improving risk management and modeling capabilities, using AI to drive business decision solutions, and gaining a better understanding of customers to anticipate their needs as their top three objectives for data and analytics. Only by listening intently to customers and partners, learning about their needs and expectations, does it become possible to make sure that innovations meet the needs of the business.

As for technology, the equipment leasing industry has traditionally focused on originations modernization before anything else. However, the greatest gains are often made by focusing on back-end process optimization as well as the front-end. These processes are often labor intensive and automating them, therefore, offers major cost reduction opportunities.

Several Captives have embarked on process optimization in the back office, and many have mature solutions in place. In general, industry leaders feel that they have more to do in this area, mostly stating that technology innovations are not yet sufficiently implemented. In addition, many organizations have not yet synthesized the internal and external data required to realize the full potential of automation and AI. They are working on it, however, with some having implemented robotic process automation (RPA) and customer-facing bots – starting with a low-cost and quick-to-market pilot. This, in fact, is a widely adopted approach. Pilot simple processes that currently involve significant manual effort, then iteratively and incrementally extend the approach to more and more processes. At the same time, gradually extend the use of automation, artificial intelligence, and machine learning to optimize and automate more complex processes.

Figure 10.



Capgemini, "Captive Finance Study original infographic" 2022

Building the Necessary Business and Technology Capabilities

Captives started building the required capabilities towards becoming a leasing and lending powerhouse – still they hesitate to take a pioneering role.

As customer-centricity and enabling technologies become critical, Captives are strategizing their future roles. How can traditional Captives become future-proof as banks and Fintechs continue to exert influence?

In a world where “normal” seems to be just a metaphor for something vaguely familiar but by no means permanent, recognizing and responding to a rapidly changing environment is paramount for Captives today. Businesses need to adapt as rules of engagement change: where a shifting demand curve, technological acceleration, and dynamic business evolutions all require a different strategy and set of tactics. To be successful, Captives must determine which technologies will benefit their organization. Yet amidst the flood of technologies in the market, it can be challenging to determine what will matter the most. Leaders require increasing tech savviness to address the huge scale of change, with the ability to apply both short and long-range views, together with fluidity to react in the dynamic environment in which their business operates.

Embracing Ecosystem Strategies

Captives are increasingly turning to new business models to create, cultivate, and monetize network effects and to facilitate and enhance customer experiences. The combined Parent and Captive have an opportunity to embed leasing and lending in customers’ broader journeys to power engagement in ways that are invisible, sustainable, and inclusive.

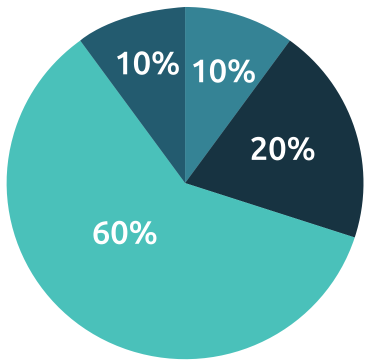
Most survey respondents seek increased wallet share with existing customers and to attract new customers with broad spectrums of bundled financial and non-financial products and services. The ability to acquire customers and build loyalty through new products and distribution models, backed by the right digital tools, skills, and metrics, can make ecosystems a key driver of growth.

While current platforms may be adequate to run the business today, many Captives are currently living with costly systems, that require the use and support of legacy technology, are fragile, not scalable, and are operationally inefficient.

The ecosystem concept centers around addressing the capabilities needed by Captives and other equipment finance organizations to drive growth, operational excellence, and customer satisfaction through an ecosystem of various technology platforms and partners. Many companies are no longer looking for the “silver bullet” E2E solution of single front-end and back-end solutions, but rather an ecosystem to provide robust capabilities to drive growth, operational excellence, and customer satisfaction.

The ecosystem enables a more contemporary model including a modern, digital, open ecosystem to address future needs and allow equipment finance organizations to remain ahead of competitors. In the 2021 ELFA Business Technology Performance Index, over 30% of survey respondents expected to adopt the ecosystem approach within 3 years, and another 40% expecting to adopt the approach in 3-5 years. Based on survey responses and interviews with industry leaders, we are indeed seeing that Captives are not only embracing the concept but are already acting upon it.

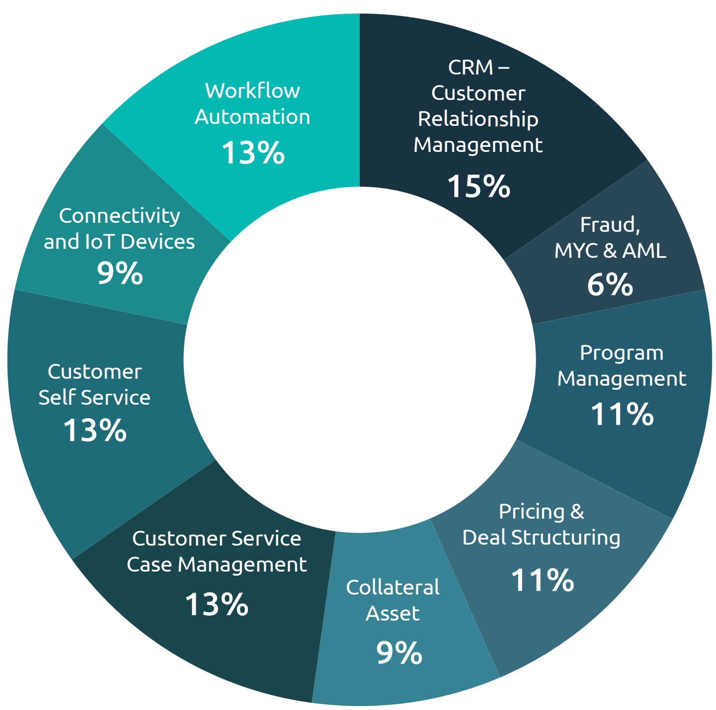
Figure 11. Captive Finance survey (pg. 27)
There is notion that the Captive finance industry is evolving towards a digital ecosystem, do you agree? If yes, are your core systems and other technology capable of sustaining such an ecosystem?



The rationale for this capability transformation includes:

- Providing an opti-channel customer experience
- Enabling digital self-service
- Enhancing the ability to bundle and unbundle products
- Offering flexible billing for usage-based financing options
- Gathering insights from data to create personalized experiences improving integration with customers and partners
- Delivering high availability, scalability, and performance
- Accelerating time to market for new products and services

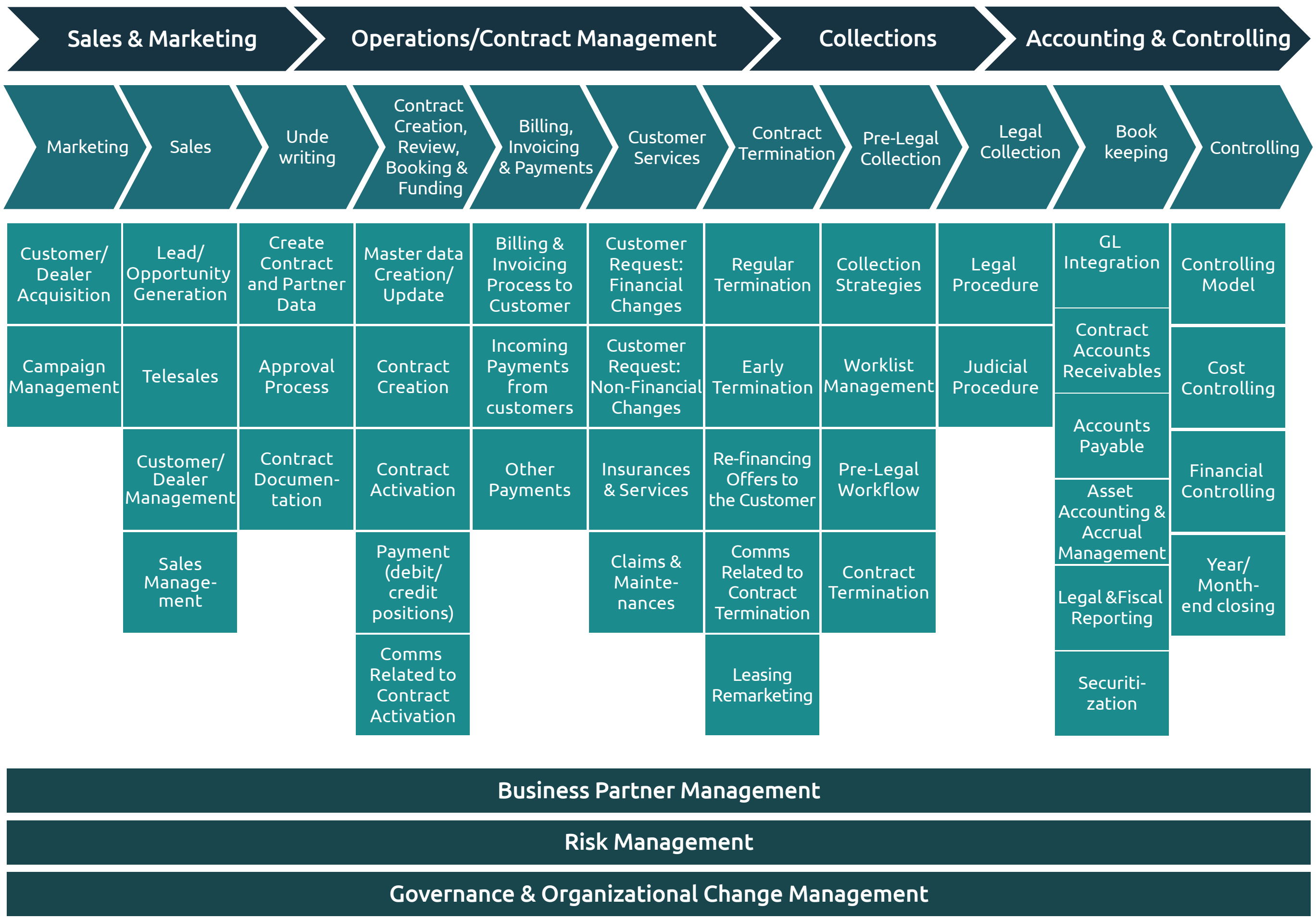
Figure 12. Captive Finance survey (pg. 27)
What areas of the ecosystem were/are your top priorities



The Evolution of the Ecosystem

The equipment leasing business capabilities of Captives remain valid, however, what is changing is the approach around how to solve for the technology.

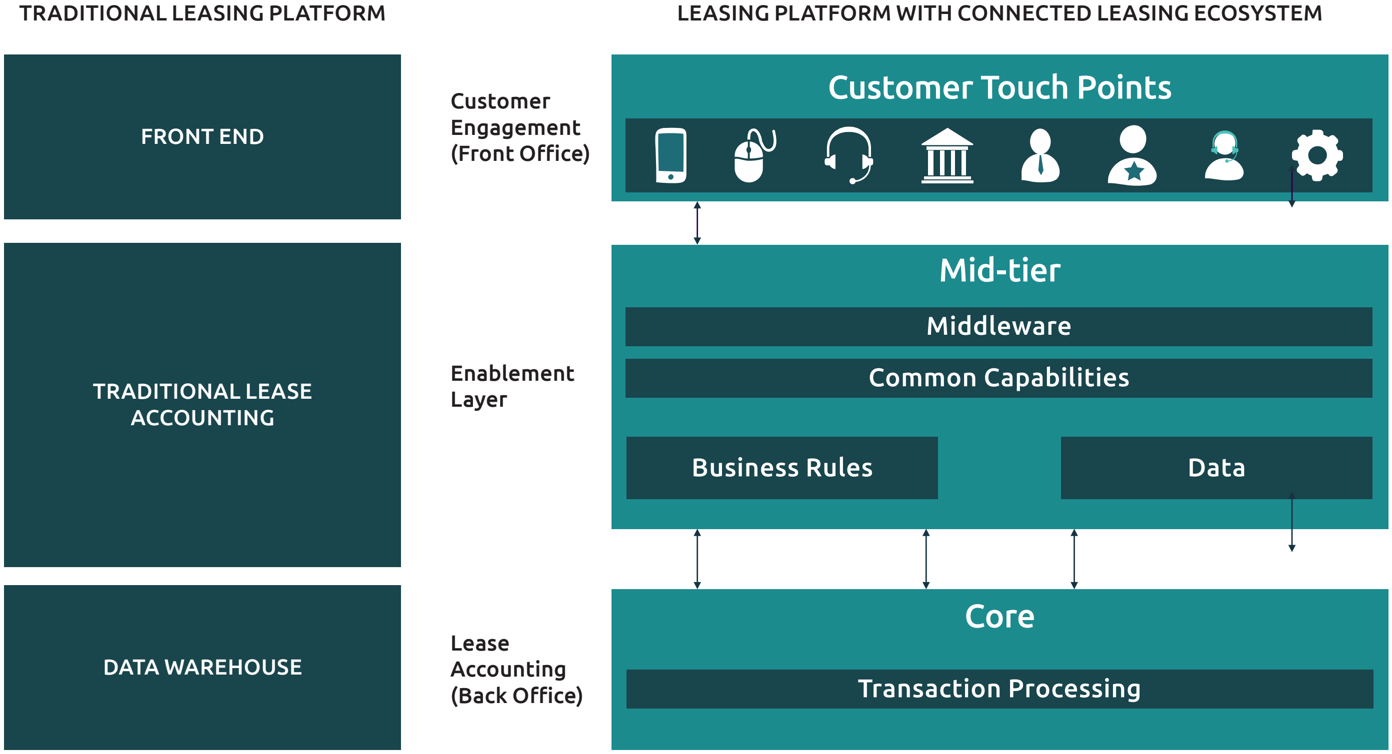
Figure 13.



Capgemini, "The Evolution of the Ecosystem Model", 2022

Below is a model comparison between the traditional equipment leasing platform and a continuously evolving ecosystem model.

Figure 14.



Capgemini, "The Evolution of the Ecosystem Model", 2022

Historically, Captives have had a relatively straightforward IT environment consisting of front-end and back-end platforms, as well as a data warehouse. However, the future IT ecosystem is being driven by the need to provide the capabilities, services, and flexibility that new business models and customers demand.

A key aspect of the ecosystem evolution is retaining core systems for transaction processing. The enablement layer that interfaces with that core become critical in that it contains a combination of common capabilities, middleware, data, and business rules which connect via application programming interfaces (APIs) to required internal and external systems. On top of the ecosystem sits the customer engagement layer, which is meant to allow a truly digital, omnichannel experience.

Technology Modernization for Building Future Captive Finance Experiences

40% of survey respondents claim the current state of their systems and operational capabilities are below industry standards

Not bound by legacy systems, new entrants to the market are harnessing cloud-based core platforms that easily integrate with the partner ecosystem, driving innovative offerings to market faster and meet evolving customer demands. These dynamics demand that Captives — many with legacy core systems — transform to match the pace of their faster counterparts.

For many Captives, this transformation can be slow-moving. In an open banking era of data sharing and open ecosystems, Captives that are constrained by legacy systems struggle to rise to the challenge posed by new entrants and other faster-moving competitors. With bulky, unwieldy legacy systems making it difficult to integrate with third-party applications and platforms, there is only one option for incumbent Captives – modernize the core technology platforms.

Captives with modern technology platforms can achieve higher revenue growth, drastically reduce costs, and de-risk their operations.

Technology modernization is an enterprise-level change that raises several questions for Captives.

Should it be on the premises or in the cloud?

Will it be in phases or one large implementation?

What is the best way to securely migrate data from multiple legacy systems?

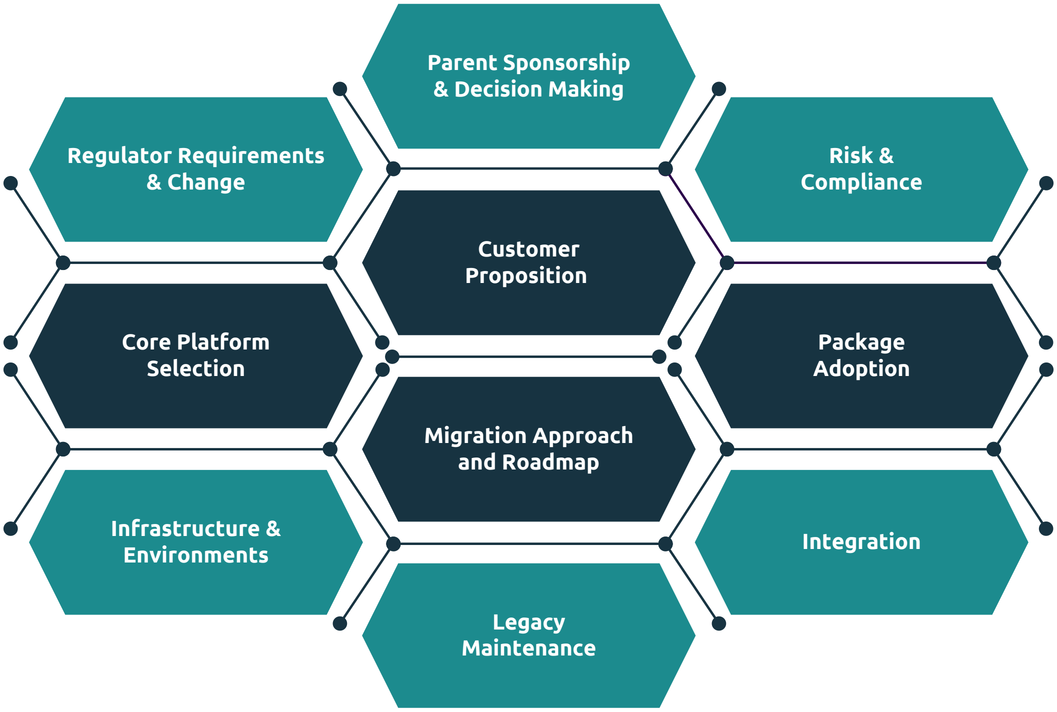
Technology system modernization is an enterprise-level change and Captives face a unique set of challenges on their journey. These include build vs. buy decisions, phased vs. big bang implementations, and choosing between on-premises and cloud deployment models. Additionally, Captives are faced with altering business processes, evangelizing Agile and DevOps processes, ensuring minimal impact to integrating peripheral systems, and migrating massive amounts of secure data from legacy to modern cores. Organizational change management, including staff training and enablement, is also important. Finally, Captives must accelerate the overall implementation to ensure that business benefits are realized.

Technology Modernization Challenges

Financial systems are mission-critical in nature and transforming them can cause significant business disruption during the implementation or deployment stages. Captives have been running non-integrated legacy applications on various platforms, which increases the technical complexity of integrating diverse applications into a common platform. 90% of Captives identified limited integration with internal and external systems as their greatest challenge with their current technologies.

During a transformation project, the risks and potential losses are very high due to data migration, integration of multiple processes, and the consolidation of multiple systems. Apart from the technological risk, there are various other implementation challenges associated with these initiatives.

Figure 15.



Capgemini, "Core Financial System modernization" 2022

Core financial system modernization projects have to deal with several barriers to transformation that may cause these projects to fail. A proper understanding of these challenges must be incorporated into every Captive's transformation plans.

Key Considerations for Success

In order to make core system transformation a success, Captives must carefully evaluate key business and technology parameters including vendors and integration partners.

Most importantly, Captives must evaluate their own ability to take on a large transformation in a few key areas.

- Captives must align their IT strategy to their business goals such as operational improvement, ROI, revenue growth, customer satisfaction, and cost reduction. The transformation must deliver improved business capabilities and optimize business processes.
- Strong leadership support and change management focus are critical for transformation success. There should be effective communication and active management of stakeholders with well-defined roles and responsibilities.
- Technology solutions selected for the ecosystem should have a flexible architecture and must be scalable enough to meet the future business requirements of the Captive. The technology selection process must also take into account the degree of maintenance support and customization required over time.

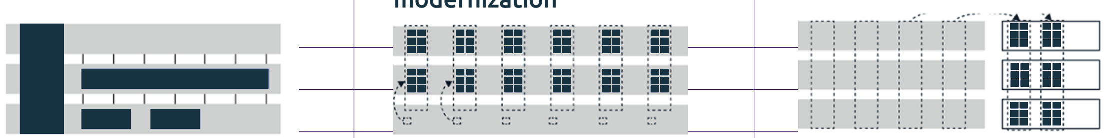
Managing expectations is key. The business case should contain agreed-upon measures to improve efficiency ratios, as well as agreed-upon IT milestones over the transformation timelines. There should be clear expectations of the benefits of transformation over both the short and long term.

Options for Technology System Modernization

Figure 16. Captives have three options for replacing the core:

Replaced
Preserved

Low
Medium
High



	1. Big-bang replacement of core	2. Journey-led progressive modernization	3. Greenfield tech stack
Description	• "Big bang" approach with monolithic system upgrades every few years • Selected systems upgraded or replaced according to architecture roadmap (through "buy" or "build" approach)	• Top customer journeys reinvented end-to-end through zero-based design • New business logic build iteratively as modular microservices (and selectively "hollowed" out from existing systems) with shared utilities	• Greenfield tech stack leveraging cloud-native architecture (eg. hyper-parametrized, real time, modular, API first) • New customers onboarded on the new platform; existing customers migrated (eg. cancel and re-enroll, recreate accounts
What captives need to believe	• "Current core is dated or out of support and there is an urgent need to replace	• Current core has support and is usable for the next 5 to 10 years • Lower appetite for risk of data migration required than for big-bang or greenfield option • Highly complex product setup or legacy customers making a challenge	• Risk appetite and budget to experiment with a technology hedge • Speed of product innova-tion over risk of data migration challenges for legacy customers

Risk Profile

Speed

Capgemini, "Core Technology System Modernization"2022

Big Bang Replacement of Core

Organizations often pursue this course of action when they urgently need to replace their core platforms because of obsolescence or regulatory imperatives. However, it can be risky. It requires extensive data migration, and the benefits are typically only realized when the final customer is migrated, and the legacy systems are decommissioned. Organizations generally choose a traditional platform as the replacement, reflecting concerns that next-generation platforms are not yet fully proven or focused on a subset of products and features.

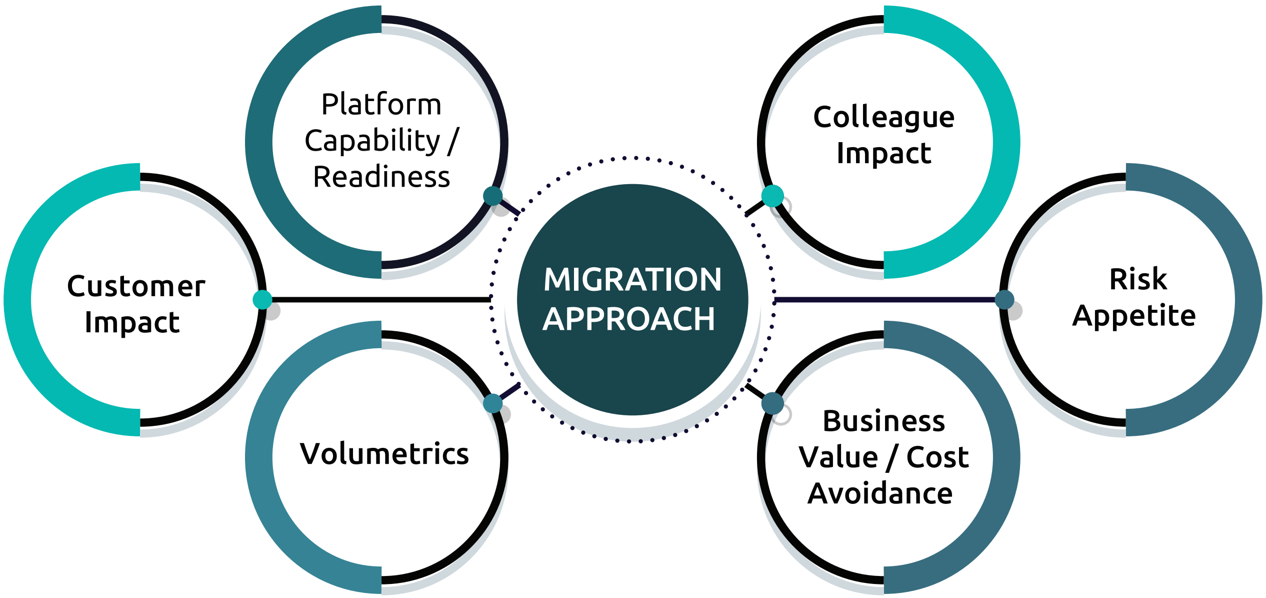
Journey-led Progressive Modernization

Most organizations have pursued this strategy. It comprises retaining the legacy platform but progressively minimizing it as they build a modern architecture around it. It is often seen as a safe option if the current architecture is viable for the next five to ten years. Most advanced clients start with the most critical customer journeys and a “strangler pattern”—hollowing out frequently-used functionalities and rebuilding them as microservices. Still, while the approach is lower risk than the first option, transition timelines are generally slow, and clients may not achieve the desired levels of efficiency and time-to-market.

Greenfield Tech Stack

CXOs focused on staying ahead of the curve often pick the greenfield option because it enables them to launch new offerings and deliver value quickly. It is often considered less expensive than the other options and safer because the existing customer base is not exposed until the proposition and technology are proven. With many clients exploring next-gen core platforms, this option arguably provides the best way to elicit the most value. A few institutions are also exploring the possibility of migrating a large incumbent customer base using a “reverse takeover” approach.

Figure 17.



Capgemini, "Migration Approach" 2022

- The migration approach is driven by the readiness of the overall platform to support customer segments, features, and products
- Migration events will impact colleague processes in the front and back office and will require planning, training, and dress rehearsals to minimize customer impact
- The risk acceptance will drive the level of coexistence and customer impact in migration
- The migration approach must deliver the planned business case of value creation and cost reduction

- The automation approach will be dependent on volumetrics - the number of records (assets, contracts, customers, etc.) in the portfolio.
- There will be customer impact. Planning and design are required to manage customer expectations during & post-migration events.

Several decisions have a significant impact on choosing the best implementation sequence.

Conclusion

The research described in this report shows that disruptive trends in the current marketplace offer a range of opportunities for captive finance companies, but also present certain challenges and threats. The Captives involved in this study fall into two main categories, with a few somewhere in the middle.

- Innovators – focused on identifying and operationalizing new business models, products, and services in close alignment with their Parent
- Traditional Captives – focused on improving operations across the business to stay competitive

An individual Captive's choice of role will be influenced first by its level of innovation and second by its level of dependence on, and integration with, the Parent. Having determined its target role, each company needs to embark on the journey of building the necessary business and technology capabilities. Specifically, they must:

Define the new product portfolio

- How will they respond to the demand for new and complex products and services?
- What products and services must be digitized?
- What new digital products must be added?

Understand the customer journey and its implications for the sales model and for their business

- What should be the future relationship between the Captive, Parent, dealers, and partners?
- How can the new model be made commercially attractive for all parties?
- What is the best way to use data, and tackle the obstacles of data sharing?

Decide how they will achieve the necessary innovation

- Do they need an innovation management function?
- What are the target areas for innovation and how should these be prioritized?
- How will innovation be embedded in the business?

Determine the best approach for technology modernization

- Should it be on-prem or in the cloud?
- Will it be in phases or one large implementation?
- What is the best way to securely migrate data from multiple legacy systems?

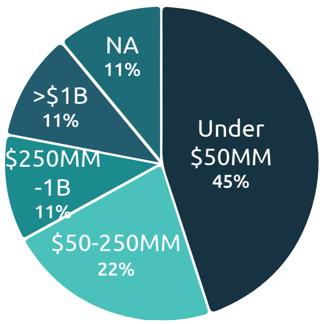
Answering these questions at an early stage and revisiting them regularly will position Captives to achieve their desired role and succeed in an unpredictable future.

It has been two years since the COVID-19 pandemic accelerated the need for organizations to deliver best-in-class customer experiences across digital channels. Captive Finance organizations can no longer sit back and remain traditional. We are now in a time where equipment finance organizations, including Captives, must address customer centricity, operational resilience, and business awareness to remain relevant.

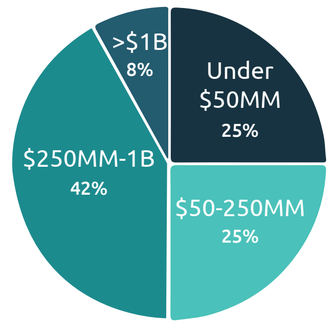
Survey

What percentage of your Captive business is in each market segment?	
Micro ticket (<$25k)	9%
Small ticket ($25k-250k)	42%
Mid ticket ($250k-$5MM)	35%
Large ticket (>$5MM)	14%

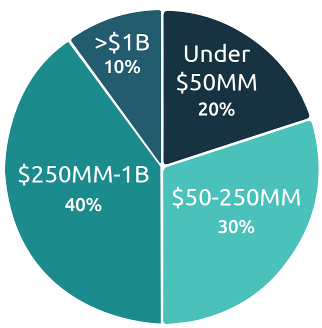
MICRO TICKET (<$25K)



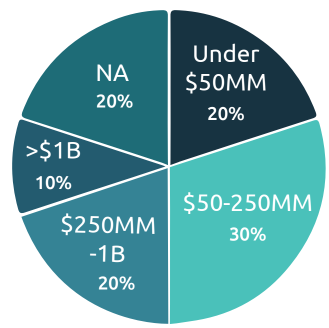
SMALL TICKET ($25K-250K)



MID TICKET ($250K-$5MM)



LARGE TICKET (>$5MM)

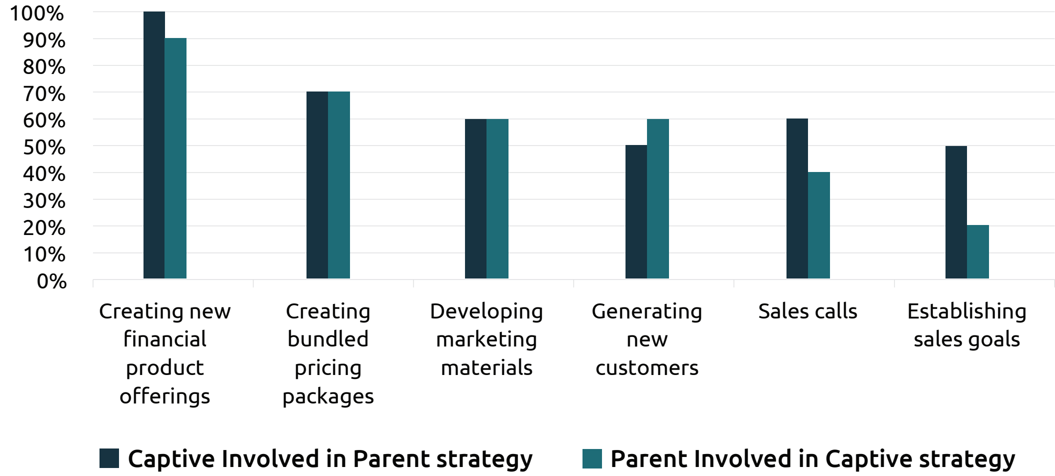


What are the value drivers and priorities for your Captive business today?	
Customer retention	42%
Incremental income	21%
Aid Parent in growing market	13%
Value creating for customer	13%
Investment of surplus capital	11%

Regarding Parent strategy, how involved is the Captive in establishing policy and direction? (Select all that apply)

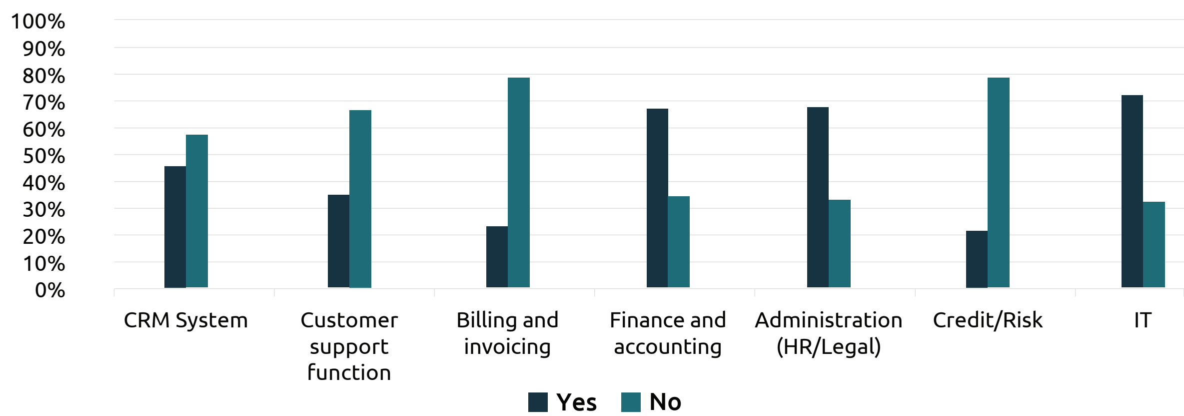
Regarding Captive strategy, how involved is the Parent in establishing policy and direction? (Select all that apply)

Figure 18.



What, if any, services are shared across the Captive and Parent companies? (Y/N)

Figure 19.



Do you use any outside financing partners/programs?	
Yes	70%
No	30%

You indicated on a previous question that you use outside financing partners/ programs. Please indicate why? (Select all that apply)		
	Rank	
Diversify Risk	1	62%
Access to capital	1	62%
Favorable income recognition	3	50%
Drive additional volume	3	50%
Partner's ability to finance non-Parent product	5	37%
Other (please specify)	5	37%
Partner's ability to offer creative financing options	7	12%

Is your go-to-market strategy expected to change in the future?	
No	60%
Yes	40%

You indicated on a previous question that your go-to-market strategy is expected to change in the future. Please indicate the main reasons for this change. (Select all that apply)		
	Rank	
Bundling Parent equipment with services	1	100%
Adding flexible consumption (pay per use) capabilities	1	100%
Transforming to digital platform	1	100%
Diversifying funding strategy	2	50%
Adding new products/ vertical markets	2	50%

Is customer acquisition cost increasing, decreasing, or staying about the same over time?	
About the same	70%
Increasing	30%

What are the top primary reasons your existing customers use your products and services? (Weighted and ranked from 1-8)		
	Rank	
Finance integrated into the equipment sales process	1	28%
Bundled solutions	2	18%
Variety of lease and loan options	3	17%
Lower upfront capital investment	4	15%
Lowest cost of financing	5	13%
Cash flow optimization through flexible repayment	6	7%
Ability to upgrade equipment midterm	7	2%
Pay-per-use financing match payments with usage for flexible financing)	8	0%

How do your customers perceive the Captive/Parent relationship?			
	The customer always sees one seamless organization	The customer usually sees one seamless organization	The customer sees two separate organizations
Deal structuring	30%	40%	30%
Point of Sale	40%	30%	30%
Customer Services	40%	30%	30%
Billing and invoicing	30%	30%	40%
Midterm changes	30%	40%	30%
End of term	20%	50%	30%

What are the top things you expect your customers will demand within the next 2 years? (Weighted and ranked from 1-8)		
	Rank	
Seamless, intuitive experiences across all physical and digital channels	1	27%
Improve self-service capabilities	2	18%
Offer flexible pay-per-use financing options	2	18%
Provide multi-vendor financing solutions	4	12%
Improve customer support services	5	10%
Reduce cost of products and services	5	10%
Focus on transparency, ethics, and social responsibility	7	3%
Partner with other sectors to offer beyond financing products and services	8	2%

What are your top data-related concerns? (Weighted and ranked from 1-5)		
	Rank	
Unreliable and uncomplete data	1	35%
Data in silos	2	23%
Lack of resources to process and analyze data	3	18%
Inadequate data management tools	4	14%
Cannot manage unstructured data	5	11%

What are your top data and analytics objectives? (Weighted and ranked from 1-10)		
	Rank	
Improve risk management and modeling capabilities	1	24%
Use artificial intelligence to drive business decisions solutions	2	18%
Better understanding of customers to anticipate their needs	3	17%
Enhance credit decisioning	4	13%
Drive new sources if innovation	4	13%
Personalizing the customer experience	6	8%
Identifying new customers and customer segments	7	3%
Leverage your customer's connected devices (IoT)	8	2%
Improve operational risk capabilities	8	2%
Implement AI-driven chatbots and virtual assistants	10	0%

External factors drive the success (and failure) of our capital markets and economy. Prioritize the top external factors you believe are disrupting the Captive finance sector the most. (Weighted and ranked from 1-5)		
	Rank	
Product availability and supply chains	1	42%
Inflation	2	25%
Evolving business models	3	15%
Compliance and regulation	4	10%
Cybersecurity risks	5	8%

What areas of the ecosystem were/are your top priorities? (Weighted and ranked from 1-8)		
	Rank	
CRM - Customer Relationship Management	1	15%
Workflow Automation	2	13%
Customer Service Case Management	2	13%
Customer Self Service	2	13%
Pricing & Deal Structuring	5	11%
Program Management	5	11%
Connectivity with IoT Devices	7	9%
Collateral/Asset	7	9%
Fraud, KYC & AML	8	6%

Do you see an increasing demand for pay-per-use (flexible consumption) business models? Select the answer that best fits your firm's current beliefs.	
No	80%
Yes	20%

Do you see an increasing demand for pay-per-use (flexible consumption) business models? Select the answer that best fits your firm's current beliefs.	
In line with industry standards	50%
Below industry standards	40%
Above industry standards	10%

What are your top greatest challenges with your current technology? (Select all that apply)		
	Rank	
Limited integration with internal and external systems	1	90%
Difficult/expensive to make changes	2	60%
No single view of customer	3	50%
Disparate systems	4	30%
Limited resources to maintain and modernize	5	20%
Lack of digital capabilities	5	20%
Need more	7	10%
Duplicate data entry	7	10%

What is the pace of digital change now, compared to pre-COVID?	
Increasing	90%
About the same	10%

There are several new technologies that are transforming the way Captive financing firms operate. What technologies will change the Captive finance industry the most?	
Artificial intelligence - fraud prevention, credit decisioning, risk management regulatory compliance, customer behavior	37%
Internet of Things (IOT) Technology - Wet Ink technology, collateral tracking, monitoring asset usage	37%
Seamless customer experience across multiple channels	26%

New entrants can build the technology they want. What are the implications for Captives with legacy technology baggage? Prioritize the top items that you believe have the greatest impact. (Select all that apply)		
	Rank	
Dated workflows and processes	1	70%
Outdated and irrelevant data	2	60%
Compliance and regulation factors	3	50%
Higher transformation costs	4	20%
Incompatible with new technologies	4	20%

What, if anything, is preventing you from upgrading your technology? (Select all that apply)		
	Rank	
Time/effort required by business	1	60%
Cost	2	50%
Other priorities	2	50%
Lack of executive support	4	20%
Unwillingness to change	4	20%
Other (please specify)	5	10%

Methodology

Capgemini, on behalf of the Equipment Leasing & Finance Foundation, initiated this research to gain a direct understanding of what a captive finance company can do to ensure their viability and value to their Parent company, business and technology priorities, and trends present in the sector. The following components were used to complete the study:

Survey

The survey was sent to captive finance companies across multiple industries. The survey included questions regarding company information (e.g., classifications within market segments), the Parent/Captive relationship, customer expectations, evolving business models, and technology trends

Interviews

Multiple interviews with captive finance company leaders who have generously shared their insights on challenges and opportunities in the industry. The interviews touched on emerging trends in captive finance, the Parent/Captive relationship. evolving customer expectations, innovation, and technology.

Research

The authors of this study tapped into resources of the Capgemini Research Institute, Capgemini's in-house research center. The Institute publishes research on the impact of digital technologies on global businesses, including financial services companies. The team draws on the worldwide network of Capgemini experts and works closely with academic and technology partners. A list of references specific to this study can be found in the Appendix. Additionally, external research from credible and academic sources relating to captive finance companies, customer experience, market forecasts, and other reports was conducted to complete the study.

Acknowledgements

The Capgemini research team could not have accomplished this project without the guidance of the Foundation and the Steering Committee. A special thank you goes out to Stephanie Fisher, Director of Programs, and Kelli Nienaber, Executive Director, for their continued support and counsel.

Through numerous surveys and interviews, our Steering Committee shared their insights and opinions on the dynamic captive finance industry. We thank the following Steering Committee members for their participation in this project:

- Craig Colling, Senior VP Sales, Ascentium Capital
- Bill McMenamin, former President, Navistar Financial Corporation and former President, Financial Services and Treasurer, Navistar International Corporation
- Larry Scherzer, Senior Director Strategy & Payment Solutions, Cisco Capital
- Chad Volkert, Director Collections, Litigation & Recovery, John Deere Financial
- Tom Ware, President, Tom Ware Advisory Services LLC
- Mike Wood, VP of Product Development, Key Equipment Finance

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- Isuzu Finance of America, Inc
- John Deere Financial
- LBX Capital
- LEAF Commercial Capital, Inc.
- Navistar Financial Corporation
- Trinity Industries
- Verdant Commercial Capital
- Volvo Financial Services US LLC

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Barbara King is a Portfolio Manager with more than 25 years of industry leadership with a focus on digital transformation and optimization of large-scale financial services organizations. Barbara has valuable insight to Capgemini's mission to design and develop equipment leading and commercial lending ecosystems. Her leadership combined with a deep understanding of the end-to-end equipment leasing business helps clients improve efficiency and agility in their operations, including the selection and implementation of technology solutions required to accelerate their digital transformation journeys. In addition to client delivery, Barbara is focusing on expanding Capgemini's equipment leasing and specialty finance capabilities and capacity at a time of unprecedented growth.

Mark Cisco is a Senior Manager in Capgemini's Banking and Diversified Financial Division and has over 7 years of Equipment Leasing experience. With a background in sales, Mark understands what clients are looking for, and possesses the knowledge to shape solutions. After starting an Equipment Finance Division in his previous role, Mark brings expertise surrounding Equipment Leasing and Finance, and has insight to the daily operations and processes of a successful lending organization.

Nidhi Bothra is a manager in Capgemini's Banking and Diversified Financials Division and has over 10 years of experience advising financial services sector entities focused on equipment leasing, structured finance, fintech and other asset-backed lending products. Nidhi is a former director of Indian Securitization Foundation. She is a former executive committee member of Asset Finance Association of India. She was on the board of JSW Natural Resources India Ltd, as an independent director. She has authored international publications and has spoken about the Indian financial services industry at various industrial forums and Indian colleges.

Winnie Carter is a Business Analyst within Capgemini's Banking and Diversified Financials Division. Winnie has knowledge on the payment servicing sector of equipment leasing and insights on the disruptive trends of today's market and its consumers. Understanding the day-to-day business operations of an equipment leasing organization as well as the needs of this next generation of customers will provide Captives with a clear and defined approach on key areas to take the next steps.

Lanni Barrie is a Business Analyst within Capgemini's Banking and Diversified Financials Division. Lanni has insights on next generation banking and the disruptive trends of Gen Z and beyond. Understanding the characteristics and needs of this next generation of customers will provide Captives with a clear and defined approach on key areas to take the next steps.

Simon Shawel is a Business Analyst within Capgemini's Banking and Diversified Financials Division. Simon has a background in banking and lending and has been engaged with equipment leasing companies- as an Equipment Leasing Specialist at Capgemini, bringing direct knowledge to the team.

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