

# Industry Disruptors: Online Leasing Services

Diwakar Singhal

GENERATING IMPACT

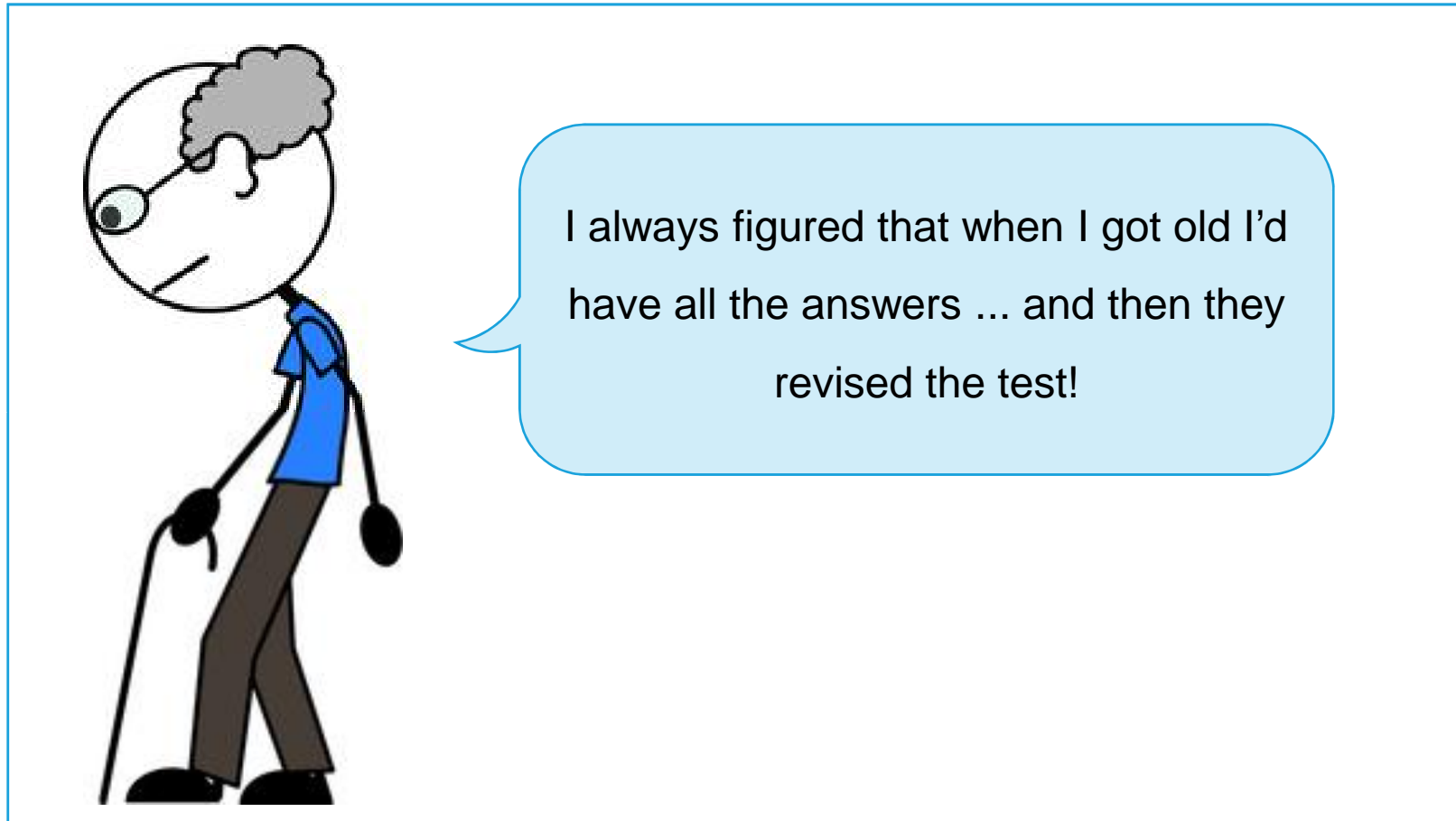
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**GENPACT**  
GENERATING IMPACT<sup>SM</sup>

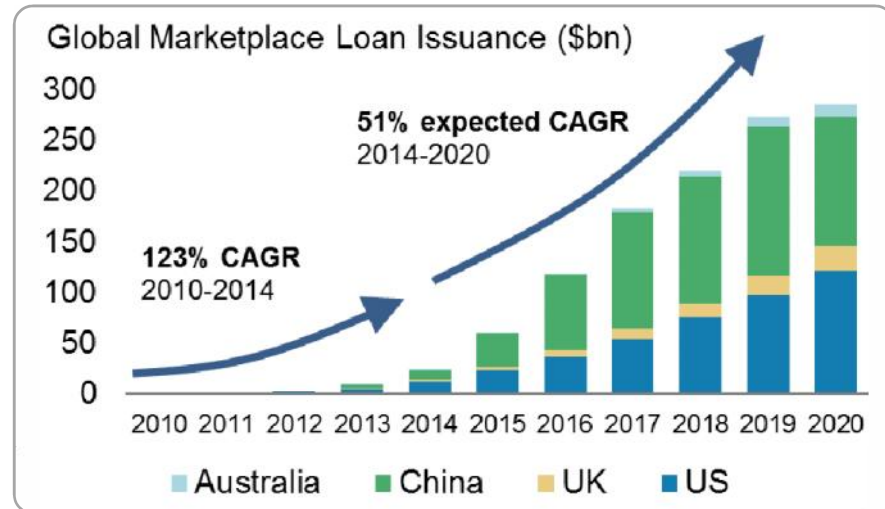
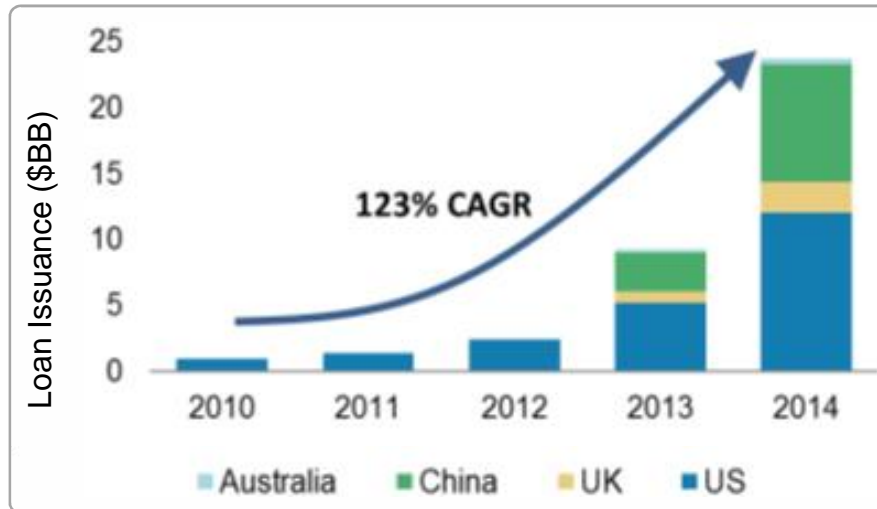
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## Paradox of Constant Change



Old Answers don't work in the Digital World

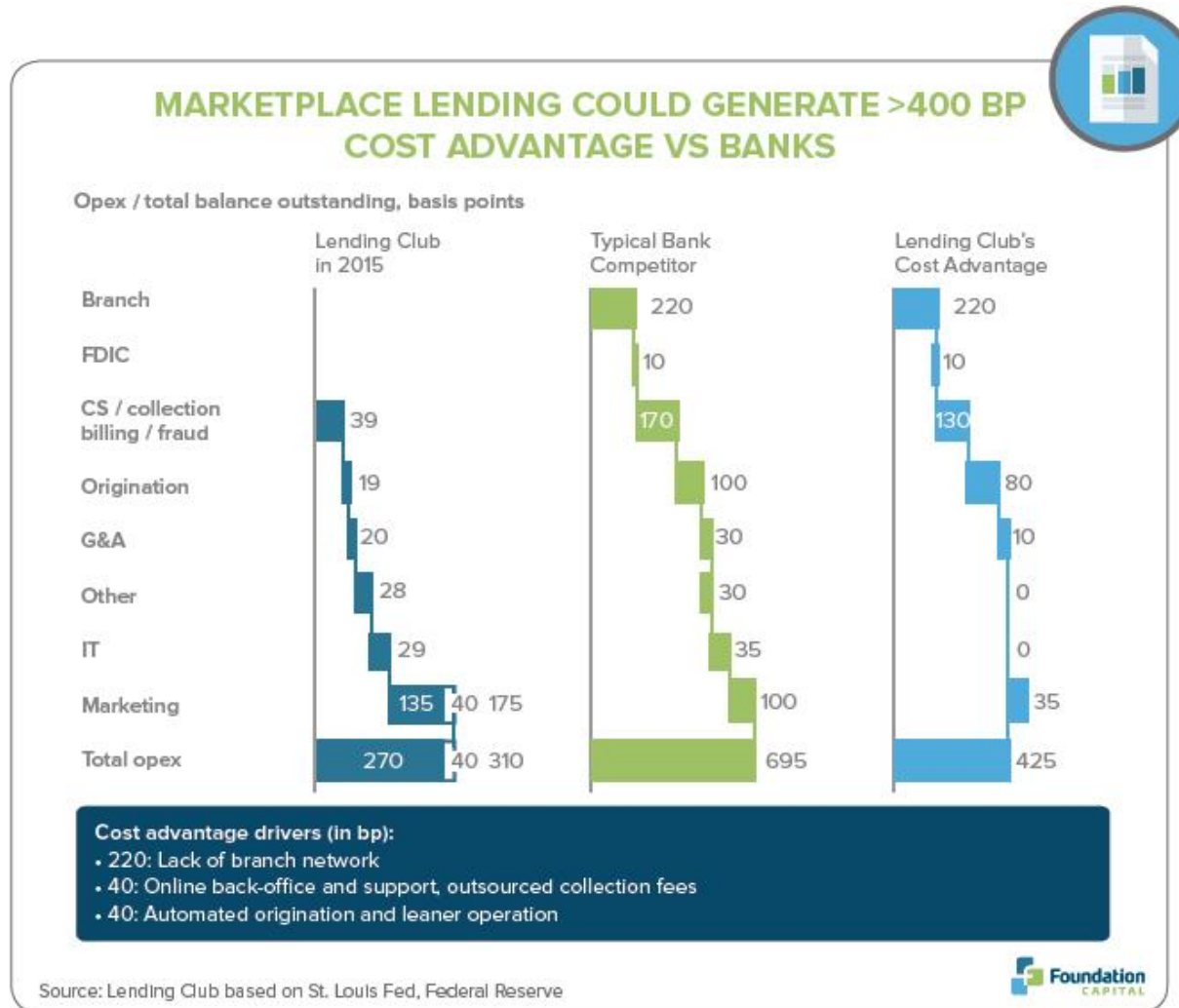
## MARKETPLACE LENDING, A DISRUPTIVE FORCE IN LENDING...



- Marketplace lending not just a US phenomenon; China, UK also stand out as key markets. Other European countries also showing significant growth opportunities
- Awareness of marketplace platforms is higher in the UK, but usage lags vs. the US
- Many marketplace lenders (MPL) increasingly see banks as partners. Partnerships with smaller banks are an intriguing avenue for growth.

# ADVANTAGE OVER TRADITIONAL BANKS & FINANCIAL INSTITUTIONS...

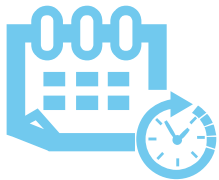
How are these disruptive lenders passing efficiencies to the borrowers?  
Sample



## BUT, COST ADVANTAGE IS NOT THE PRIMARY DIFFERENTIATOR ...



Remarkable **user experience** – simplicity and convenience of application process – mobile application completed under 30 mins



**Speed of delivery of capital** – approval in minutes or latest by few hours, access to capital within few days

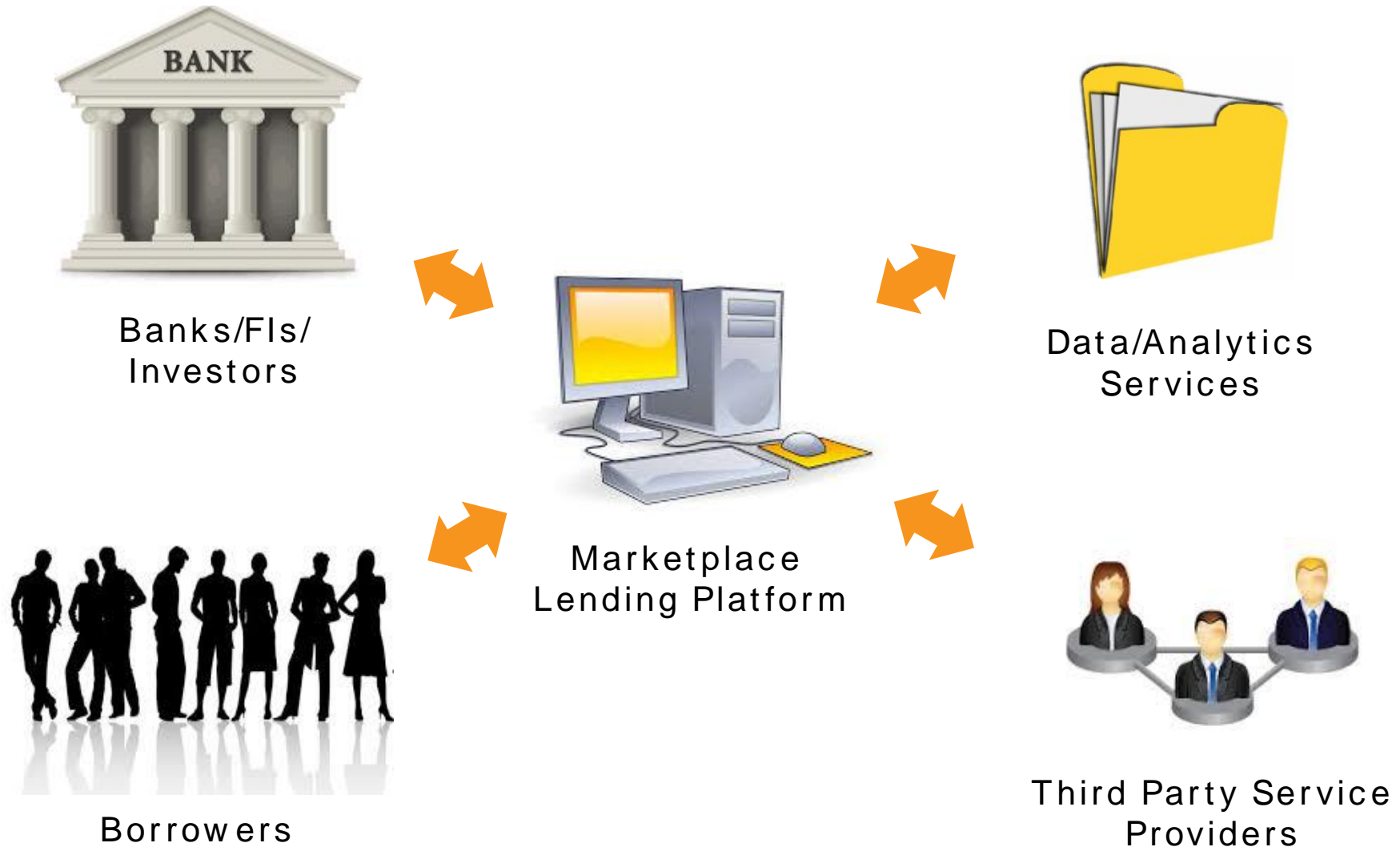


Greater **focus on Customer service** – few clicks and taps to the answer leading to improved customer engagement and increase transaction volume



**Predictive modeling to decision loans** – data aggregation and data metrics, including social media interactions and reviews from online sources including Yelp, to assess health of a business

# SO, WHAT DOES THE MARKETPLACE LENDING ECOSYSTEM LOOK LIKE?



# THE LANDSCAPE – “MARKETPLACE LENDING” ...

## Marketplace Lenders

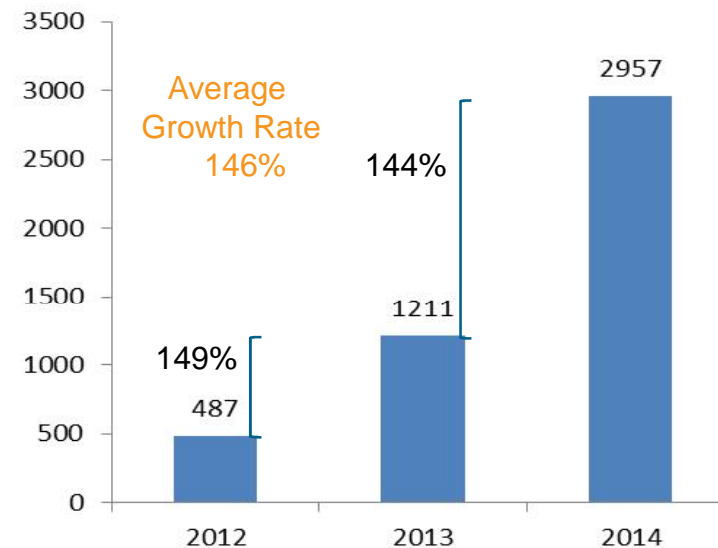
<b>Consumer</b>	
<b>Pay Day</b>	
<b>Purchase Finance</b>	
<b>Education Financing</b>	
<b>Real Estate</b>	
<b>Merchant Cash Adv.</b>	
<b>SMB Credit</b>	

Today, there are hundreds of different marketplace lenders servicing almost every type of lending customer – small business, real estate and consumer.

## MARKETPLACE LENDING IN EUROPE...

- UK leads the way
- Top 5 in volumes are France, Germany, Sweden, Netherlands and Spain
- 3 year average growth rate is 146%
- €7 B is the projected total transaction volume of the European Online alternative finance market in 2015
- P2P consumer lending continues to be the biggest segment in Europe

Online European Alternative Finance Market Size (€M) & Growth Rate

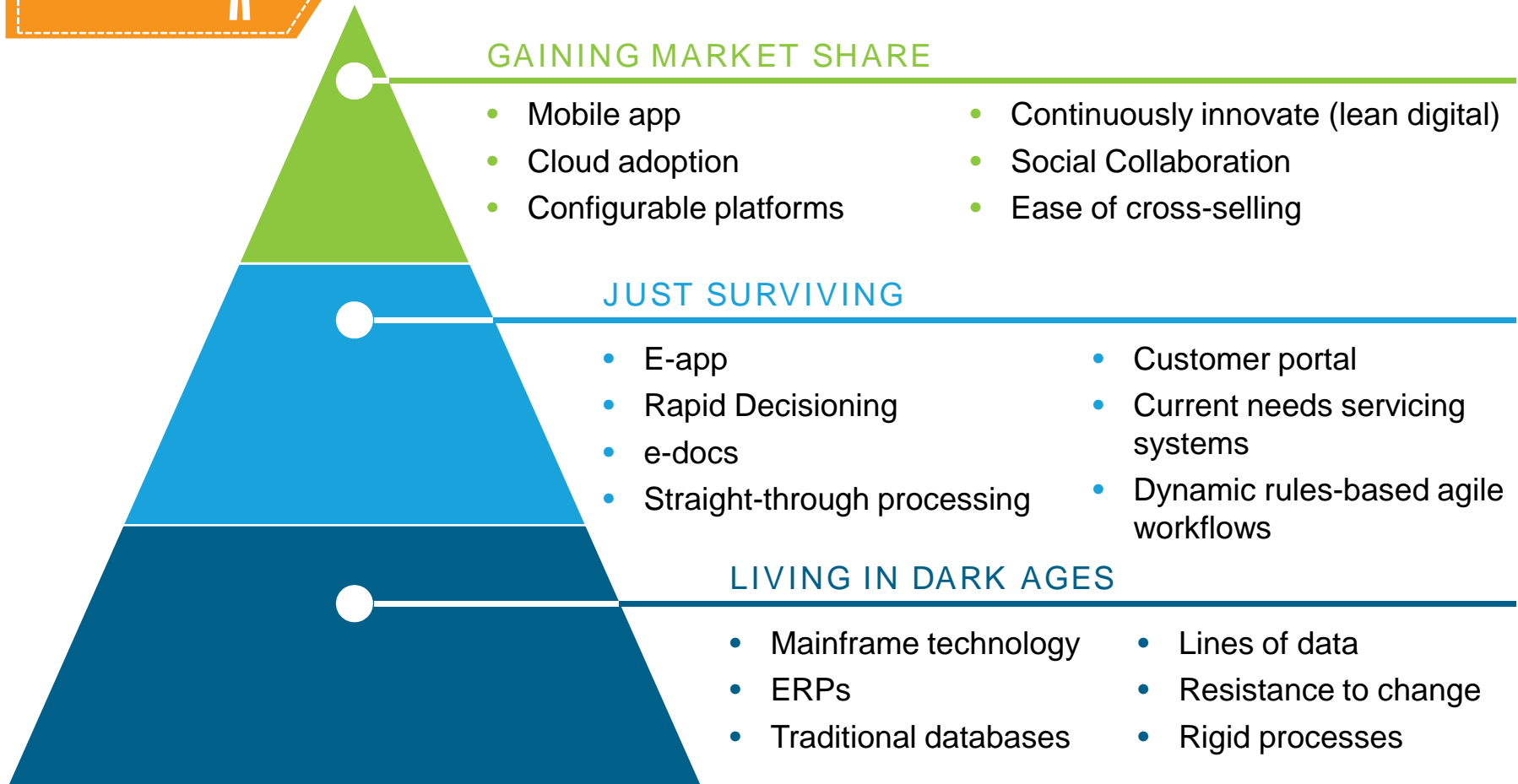


- Regulatory landscape in Europe for alternative finance is fluid – some have stretched existing regulations, some have new regulations and for some there has been little regulations at all



# HOW IS IT AFFECTING LEASING?

WHERE DO YOU STAND ON THE SURVIVAL HIERARCHY?



## MARKETPLACE/ ONLINE LENDERS IN EQUIPMENT & ASSET FINANCE...

The logo for Driver Up, featuring the words "DRIVER UP" in a bold, sans-serif font. "DRIVER" is in black and "UP" is in a bright yellow color.The logo for LeaseQ, featuring the word "LeaseQ" in a bold, sans-serif font. The "Q" is a green circle with a white arrow pointing clockwise. Below it, the text "INSTANT EQUIPMENT LEASING QUOTES" is written in a smaller, black, sans-serif font.The logo for OnDeck, featuring the word "OnDeck" in a bold, blue, sans-serif font. The "k" is stylized with a blue arrow pointing to the right.The logo for Lendvue, featuring a blue bar chart icon with an upward-pointing arrow, followed by the word "Lendvue" in a blue, sans-serif font.The logo for We Share Solar, featuring a yellow sun with rays, and the text "WE SHARE SOLAR" in a black, sans-serif font inside the sun.The logo for Kabbage, featuring a stylized green and blue leaf icon above the word "Kabbage" in a green, sans-serif font.The logo for Funding Circle, featuring a purple circular icon with two arrows forming a circle, followed by the words "Funding Circle" in a bold, black, sans-serif font. Below it, the tagline "Better for business, better for investors, better all round" is written in a smaller, black, sans-serif font.The logo for Fundera, featuring an orange circular icon with a white arrow pointing up and to the right, followed by the word "fundera" in a lowercase, orange, sans-serif font.

**As the MPLs mature, they intend to move from consumer & small business loans to more complex & niche products like equipment & asset finance**

## HOW ARE COMPANIES EMBRACING IT...

### Example 1

Drivetime takes another step toward paperless, CFO Kurt wood says. Scottsdale, Ariz ...

DriveTime Automotive Group is in the final phase of prepping a paperless loan modification system, to be introduced in the first quarter of 2016. This will allow deal-ers to modify consumer loan terms without the need for written forms.

At buy-here, pay-here lenders like DriveTime, consumers typically have to go to their dealerships to request term changes. “We switched to go nationwide with **100% electronic contracting offered at our dealerships**, for customers that elect that process,” Wood said. “And going into the future, it will be electronic loan modifications.

” As part of the process, DriveTime will also upgrade its loan servicing software to “more proactively” integrate the company’s lease portfolio into the existing system. **Of DriveTime’s 134 dealerships, “north of 85%” of customers have elected to use electronic documentation so far, Wood said.**

## HOW ARE COMPANIES EMBRACING IT... (CONT'D)

### Example 2

BMW launches entirely online car buying service ...

BMW customers are now going to be able to choose, spec and **buy their car entirely online in under 10 minutes**, the manufacturer claims.

It has launched BMW Retail Online allowing consumers to arrange a test drive if necessary, agree financing options and payment method, and get a trade-in value for their own car before finalising the delivery date.

The move has come in acknowledgement **that 97 per cent of buyers research their car purchase online and customers now visit a retailer an average 1.4 times before completing their purchase. This compares to an average of four visits per purchase in 1998.** Industry research also indicates that nearly half of all buyers would consider buying online.

## INTERNET OF THINGS AND ASSET FINANCE



**Assets are already connected** – e.g. Telematics which can drive better compliance, customer service & driver options



**Tracking an asset important** for residual risk, and predicting customer behavior on return. Allows a much deeper understanding of value.



**Finance can combine with manufacturers to fund Innovation** – since you can combine data insights with the flow of money



**Local sensors, inter operability of platforms, data capture is fine** – but the question is what insights do you gather from the data!

**Customer Trust, Data sharing & ownership resolution will define Adoption**

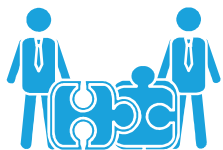
## NEW ENTRANT SHOULD BE AWARE OF THE POTENTIAL CHALLENGES...



**Regulation is sometimes confusing as it evolves for MPLs** – e.g. number of agencies governing the fin tech firms; state & federal regulations to be adhered on both the borrower and the lender side.



**Speed & Capability to Innovate** – the influx of capital will drive increasing innovation e.g. – expanding from consumer loan to equipment financing or geographical expansion.



**Competition from banks & other lenders** – increasing availability of credit from banks; they offer tax advantaged loan products; leverage their vast network of branches

# WHAT ARE YOUR OPTIONS TO GET ON THE DIGITAL JOURNEY?

Collaborate or Compete...

## A Collaborative Approach...

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- As a institutional investor – buy blocks of P2P products
  - Form alliance
    - ✓ Fund loans/credit products – BBVA/ OnDeck; Citi/ Lending Club
    - ✓ Provide Customer Referrals – Banks referring declined customers
    - ✓ Partner to create credit/lease products
- 



## WHAT ARE YOUR OPTIONS TO GET ON THE DIGITAL JOURNEY? (CONT'D)

Collaborate or Compete...

### Compete for Market Share...

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- Build your own online platform as a channel or
  - Introduce Telematics in all assets
  - Learn from online lending platforms
    - ✓ Concise, simple application process
    - ✓ Reduced timeline for decisions
    - ✓ End to End application processing via an online portal
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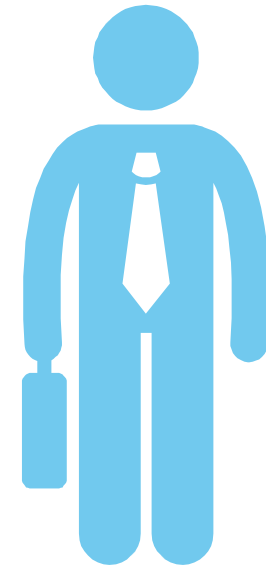




## KEY CONSIDERATIONS TO DETERMINE RIGHT STRATEGY...

### Customer Preferences

- Do you have customized strategies for customer segments based on their channel preferences?
- Will Online Lending supplement or cannibalize existing customer base?



### Ability to Innovate

- What level of ability exists to acquire or build new capabilities as needed?

### Capital & Risk Appetite

- Build vs Buy. Do you have the budgets and time?



## DIGITAL IS HERE TO STAY

- **Change the Culture, thinking and embrace Innovation**
- **Get Young talent in your teams!**
- **Explore new consumption, utility based structures for Technology vs building in-house**
- **Develop Partnerships – be part of an evolving ecosystem**

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**“We need to stop hemorrhaging cash,  
reinvent the company, rebuild our reputation  
and win back 150 million customers.  
Is there an app for that?”**