

BEVINGTONGROUP

**Bottom Line Change in
Australia's Largest Asset-Based
Finance Company**

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Understand • Engage • Evolve

www.bevingtongroup.com

Background : Australia's Largest Asset Backed Finance Company

History	<ul style="list-style-type: none"><input type="checkbox"/> Asset Based Finance<input type="checkbox"/> Fully Owned Subsidiary of a Big 4 Bank<input type="checkbox"/> 50 Years Old<input type="checkbox"/> Australia and New Zealand
Size	<ul style="list-style-type: none"><input type="checkbox"/> 14 Billion Asset Base<input type="checkbox"/> ~175M in Net Profit After Tax<input type="checkbox"/> 1300 staff
Component Businesses	<ul style="list-style-type: none"><input type="checkbox"/> Consumer : Dealer, Broker, Direct<input type="checkbox"/> Commercial : Small – Medium Enterprise Focus<input type="checkbox"/> Fleet<input type="checkbox"/> NZ sister company
Competitive Landscape	<ul style="list-style-type: none"><input type="checkbox"/> Number 1 or 2 Market Position in All Components<input type="checkbox"/> BUT: Significant Competitive Pressure:<ul style="list-style-type: none">▪ Cashed Up Foreign Entry (GE, HBOS)▪ Finance Captives (Natural Ownership)

Problem Faced in 2004 : Dealer Finance

Traditional Bread & Butter

- ❑ Internal:
 - 50% of the Asset Base
 - 65% of scale
 - 35% Revenue
- ❑ External
 - 650 Dealers Nationally
 - Number 1 Market Position
- ❑ Customers:
 - Provision of Motor Vehicle Finance
- ❑ Perception:
 - Traditional Technology Leaders

Dealer Finance Under Threat

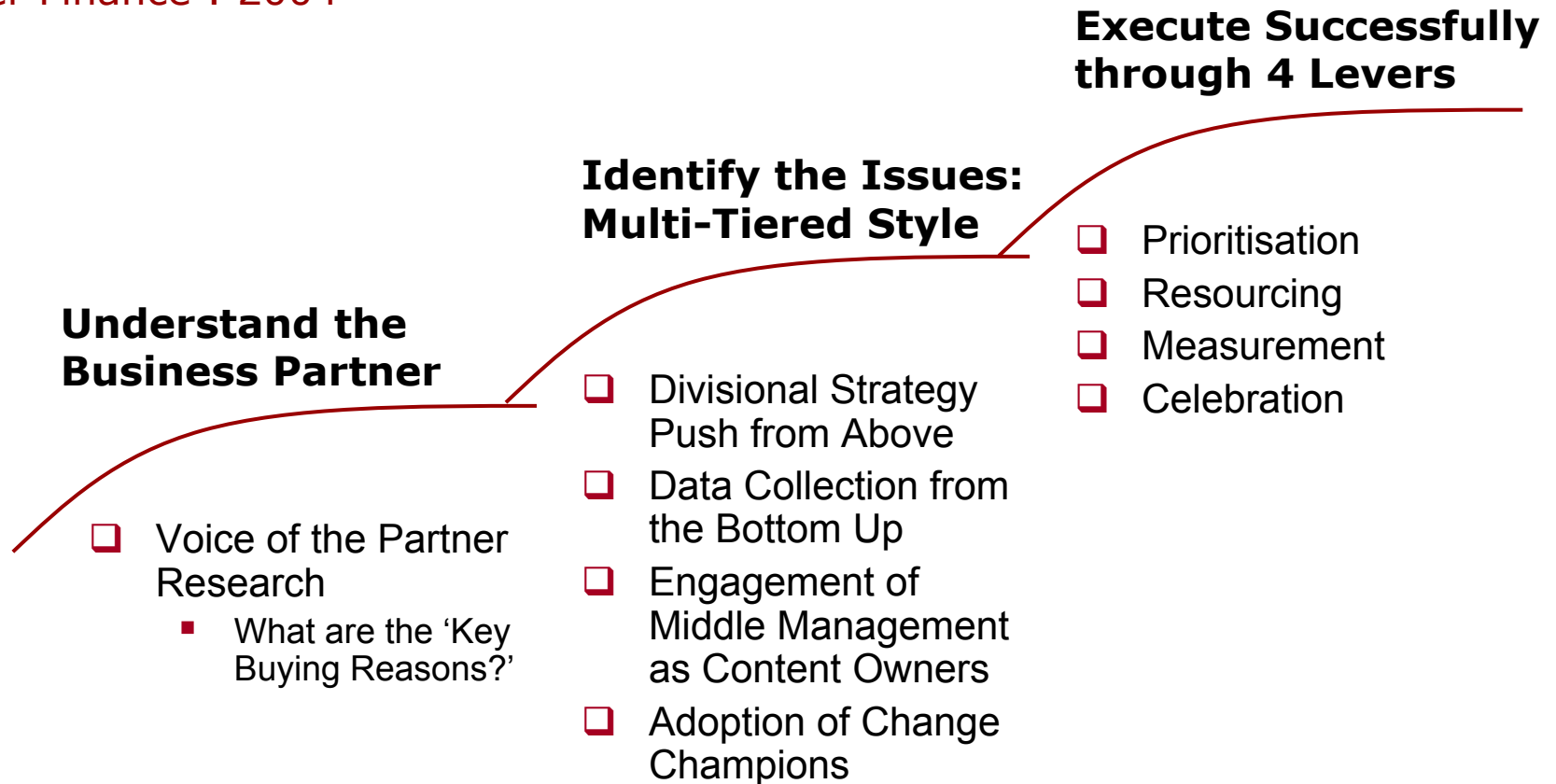
Slow to Change and Vulnerable

- ❑ 'Value Add being Questioned'
 - Dealers starting to 'question value'
 - Not accepting feedback. Nor asking for it.
- ❑ Moving Slowly
 - Not acting on internal signals; declining share, and margins, increased rework, falling morale'
- ❑ Being 'Psyched' Out

The Approach Taken

Approach Taken

Dealer Finance : 2004



Agenda

- Understanding the Business Partner**
- Identifying Current Issue through Multi-Tiered Participation
- Execution Success : Prioritise, Resource, Measure & Celebrate

Voice of the Business Partners

- ❑ 300 Deep Dive Surveys Executed
 - Consolidated Results Looked OK
 - Where to from here?
- ❑ Result Segmentation:
 - 6 segments identified
 - 2 segments in particular accounted for 70% of revenue and 65% of profit
- ❑ Results were clear
 - Each segment had only 3 – 4 key buying reasons (KBRs) driving purchasing (distribution) behaviour
 - The business was not at the top of the rankings (compared to 6 competitors)on most KBRs
- ❑ Follow Up Interviews Confirmed Segmentation Results
 - 32 interviews conducted
 - Same message consistently delivered : “Starting to lose focus on the things that matter to Dealers today”

Agenda

- ❑ Understanding the Customer & Business Partner
- ❑ **Identifying Current Issue through Multi-Tiered Participation**
- ❑ Execution Success : Prioritise, Resource, Measure & Celebrate

Approach to resolve had to provide direction, detail, engagement and momentum

Top Down

- Divisional Strategy
- Where to Play, How to Win
- “If we lose this segment, we lose the business”

Bottom Up

- Get the Dealer People and Supporting Ops areas involved
- Get their feedback on what goes right, what goes wrong
- Solicit their solutions (and influence them too with context)

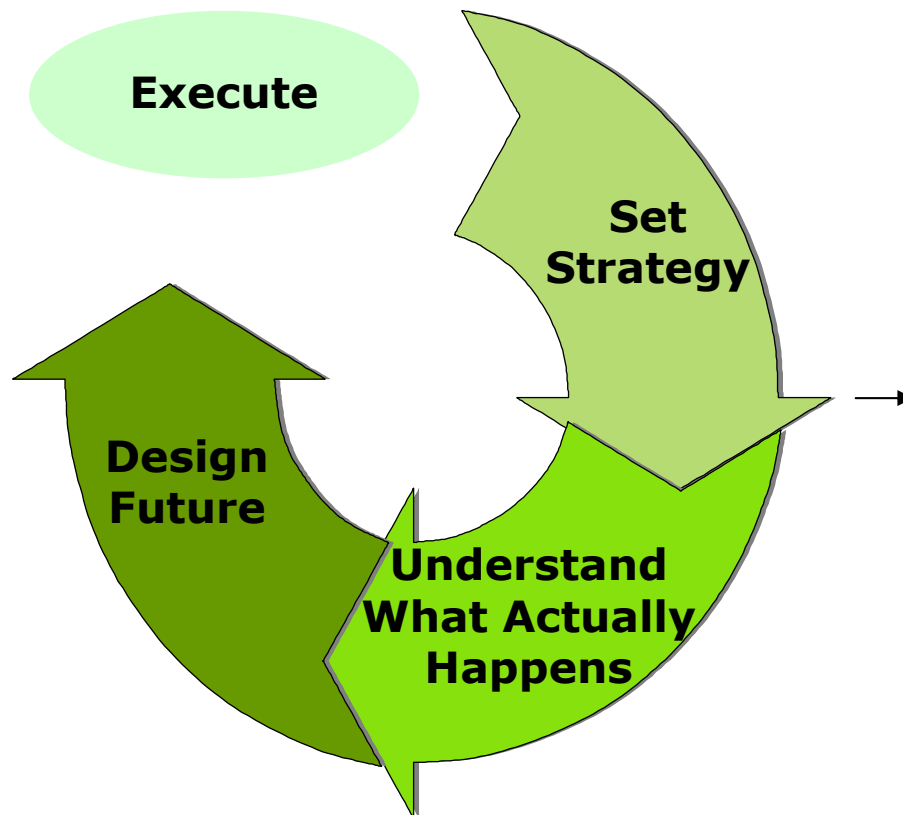
Change Activities

- Impact Assessment and Associated Change Plans
- Clear Communications on Effort Required
- Change Champions to Keep People Informed and Spread the Word.

Speed

- Data Collection that’s detailed, accurate but fast too
- Clear process to facilitate change effort
- Essential Quick Wins Program
- No more than 90 days on each initiative

A clear approach was required to enable all tiers across the business to engage effectively in the change agenda

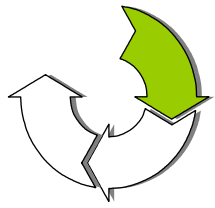


Approach to Coordinate

❑ XeP3 was selected as the appropriate coordinating tool and methodology for strategic implementation:

1. Proven
2. Fast
3. Definitive
4. Accessible

Everyone 'Gets' the Data



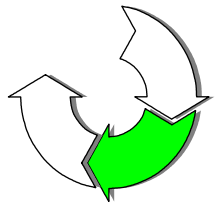
Strategy was set and communicated. It was based around delivering to the customer to both retain and acquire

Strategy was set

- Focus on key buying reasons to meet customer needs
- Use revised value proposition to retain dealers in the first instance. No losses for the next year.
- As change became embedded, use revamped strategy as point of differentiation. Move onto 'Acquisition' by tail end of year.

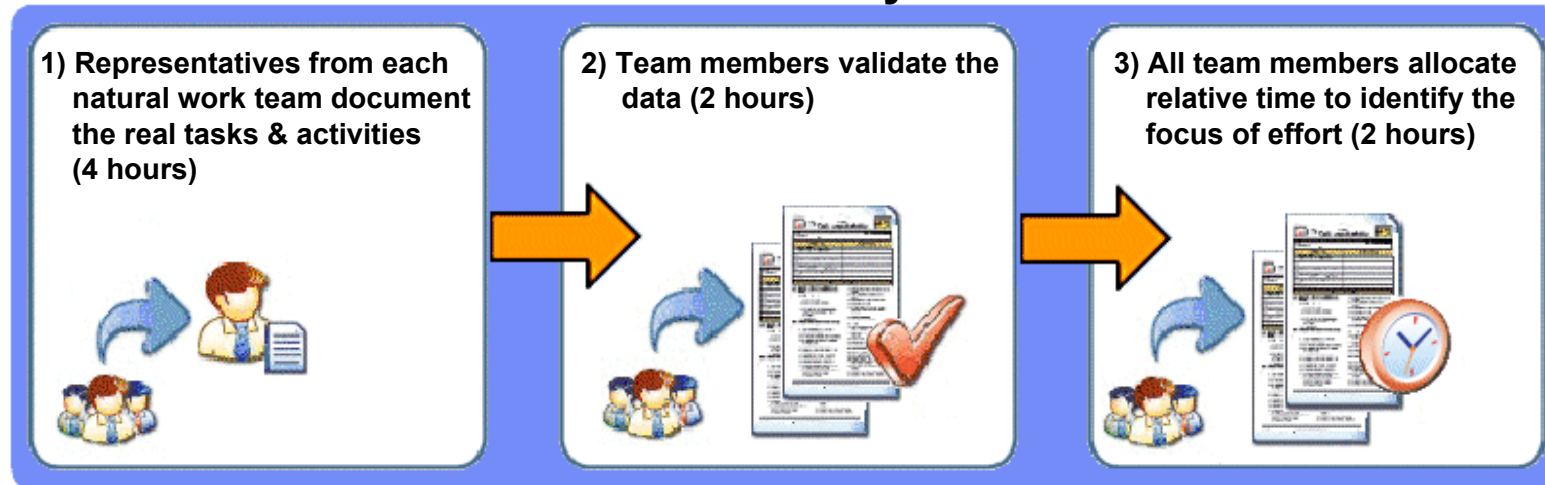
Strategy was communicated

- General Communication at MD level
- Weekly communication from Divisional Head
- Use of change champions to reinforce importance and 'spread the word' at grass roots
- Status reporting to MD



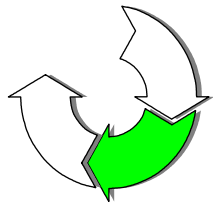
After clearly articulating the strategy, we embarked on a process that would underpin our change agenda

Data Collection by work team



Strategic Analysis



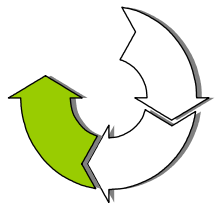


Detailed process data was collated and summarised. As anticipated, our activities were high cost and low value add

CSDN Summary

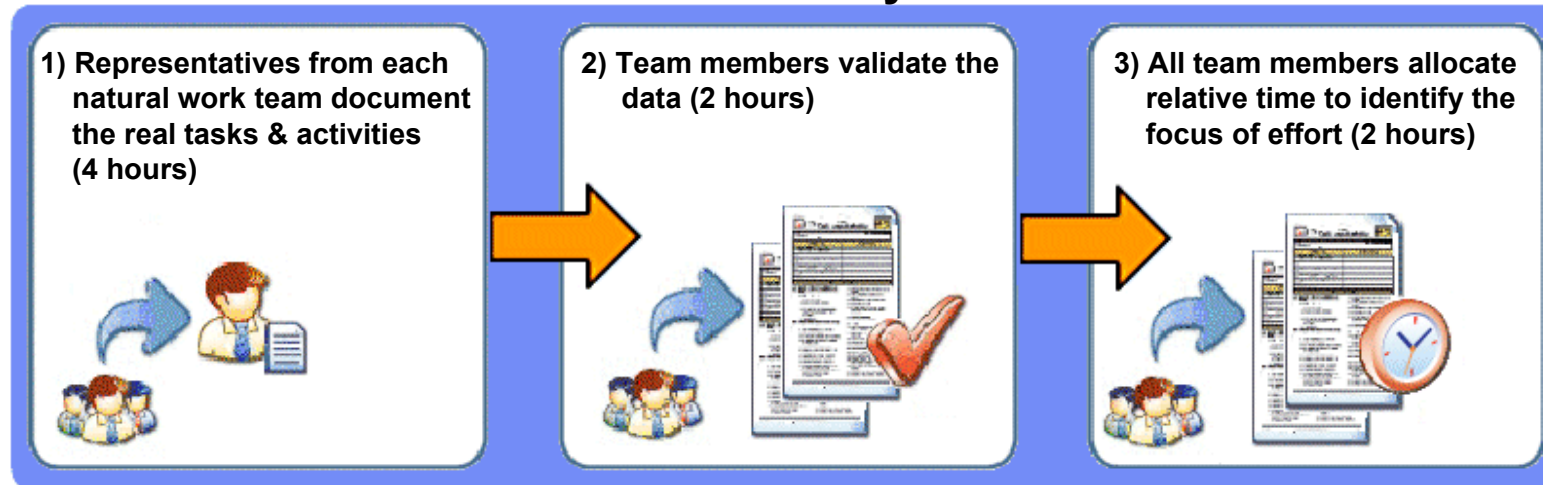
Activity	Definition	Level	
Core	Directly increase revenue, reduce cost or add capacity	Very Low	✓ Actively signing up new dealerships
Support	Efficient delivery of a current service. Normal, actual work being done right	Mid	✓ Account Manager visits: insight on dealer performance
Discretionary	Risk Management / Checking Steps	Low	✓ Stamp duty compliance checking, updating process
Noise	Non-value adding activities costing money, reducing service levels and waste staff time.	High	✓ Credit Analysts reworking deals due to poor input data

- All CSDN data had been quantified and costed.
- There were specific drivers allocated to each code to provide greater insight into where we were going wrong



The results provided the urgency required for change. We were now in design and implement mode.

Data Collection by work team



Strategic Analysis

- Build the processes
- Identify issues and improvements

Solution Generation

- Generate practical solutions
- Quantify benefits

Implementation

- Implement
- Measure & Documentation to lock in and achieve compliance

The data collected was used to generate solutions around those areas (drivers) that would provide the biggest bang for buck



1. Go back to the data to find Opportunity



2. Use cross-functional teams to generate solutions

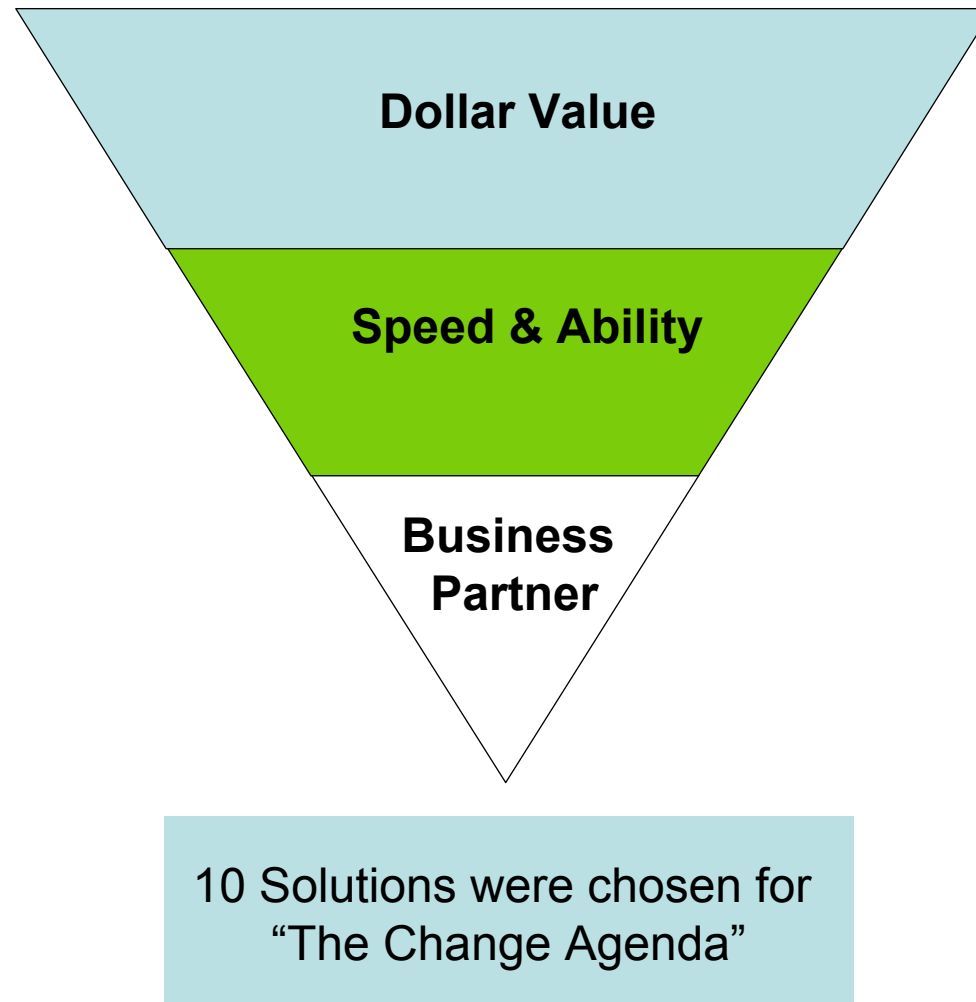


3. Place a dollar value on the solution (revenue, cost or capacity)

Agenda

- ❑ Understanding the Customer & Business Partner
- ❑ Identifying Current Issue through Multi-Tiered Participation
- ❑ **Execution Success : Prioritise, Resource, Measure & Celebrate**

We ended up with ~50 solutions. Prioritisation was the means by which we would consolidate into a feasible program



**The initiatives were resourced quickly and effectively.
The initiatives were implemented by June 2005 (~9 months).**



And the Results?

Dealer Satisfaction	<ul style="list-style-type: none">✓ Satisfaction level for tier 1 Dealers (target group for implementation) significantly higher than pre-change
New Business Writings and New Dealers	<ul style="list-style-type: none">✓ New Business Writings up 18% on prior year (market moved ~2%)✓ 9 new 'tier 1' dealers acquired since June. None lost.
Ratio Improvements	<ul style="list-style-type: none">✓ Cost to income ratio down✓ Return on Assets up (better profit margin and asset turnover)
Staff Satisfaction	<ul style="list-style-type: none">✓ This is a different business to look at and talk to.✓ They believe, again, that they can and will win✓ We have spent a lot of time celebrating our results, and continue to

Oh, and let's not forget...