

# Digital Transformation for Automotive Finance

See how these companies overcame their auto lending challenges and were able to:

- **Increase profit by** providing prospects with the sophisticated online experiences they expect and communicating through the channels of their choice
- **Create winning offers without added risk** by using data and analytics to make lending decisions
- **Keep pace with a competitive market** by speeding decisions to prospects

Auto lending is facing a time of transformation. Many lenders struggle to gain a competitive edge—they need to quickly grow their portfolio and improve the customer experience, and at the same time balance risk and control operating expenses. Market disruptors are moving quickly, leveraging technology to provide polished and high-value customer experiences to lure business away from more traditional lenders. Given these market dynamics, the stakes have never been higher for lenders to embrace modernization.



Auto lenders that depend on out-of-date processes and user experiences are finding it harder and harder to compete. The following lenders were able to face their system challenges head-on through modernization and now experience the benefits.

BMW offers personalized leasing and financing options and had difficulty communicating with prospects and customers in a way that aligned with their brand values.

Toyota Financial Services was challenged with trying to balance growth and risk within their lending business.

**Lenders that can't meet customer expectations for the buying experience miss opportunities for growth and loyalty**

BMW offers personalized leasing and financing options and had difficulty communicating with prospects and customers in a way that aligned with their brand values. Abandonment rates were high due to outmoded technology that wasn't able to communicate with prospects on their preferred channels such as mobile and text messaging. They also spent too much time and money on right-party contact—attempting to communicate with borrowers about delinquency issues and get those customers re-engaged.

At a large regional bank, prospects and customers were often frustrated with the lack of communication. The application process itself was cumbersome and didn't provide all of the information they needed to complete the application the first time around. This resulted in frequent back and forth about missing documents. Also, the communication didn't always factor in the best way to reach the customer.

**Systems that don't leverage data analytics to create smart offers and payment options are not able to balance growth with risk**

Toyota Financial Services was challenged with trying to balance growth and risk within its lending business. The decisions it made created an unacceptably high amount of delinquencies and repossessions for its customers. Both customer relationships and profits were impacted. It needed to find a way to get better outcomes from its collections efforts without adding extra expense.

Russian lender VTB24, under pressure to find ways to increase approval rates without increasing losses, was especially challenged because of a general lack of credit history data in the country. Traditional manual underwriting processes were not able to support needed decisioning to drive growth. Because of the growth market in Russia, the lender needed to expand sales year-over-year just to maintain the same market share—and it was not able to keep up with the evolving market.

“It just wasn’t an efficient way to work, especially on smaller loans. We saw tremendous potential for growth but we needed to make optimal decisions much more quickly.”

**Jeff Ivey**  
**Harborstone Credit Union**

One large bank was struggling to meet established goals around growing new business because of its ineffective targeting. Because of its system’s inability to create targeting profiles that made the most sense for its business, costs were high for batch-and-blast tactics that didn’t yield the results it needed. Additionally, offers were created that often missed the mark because they didn’t factor insights about prospects.

## Lenders that aren’t able to deliver decisions fast enough will lose to more agile competitors



One large regional lender’s booking cycle was reliant on manual, paper-intensive processes. As a result, it was costing more money and time than necessary. Applicants were required to submit paper-based applications. These applications then took

days to process, went missing or were even needlessly declined. Applicants often grew impatient with the process and went elsewhere.

Russian-based VTB24 was losing business in a highly competitive lending market because of slow decisioning speed. It would take 20 minutes to get a lending decision, and the system would only get slower as volume rose. Estimates indicated that the processing decision data would soon take up to 40 minutes—unacceptable rates in a market where streamlined digital operations could quickly capture the same prospects.

At Harborstone Credit Union, employees were handling all applications manually. “It just wasn’t an efficient way to work, especially on smaller loans,” says Jeff Ivey, Senior Vice President and Chief Sales and Service Officer. “We saw tremendous potential for growth but we needed to make optimal decisions much more quickly.”

Lenders that can create smarter decisions faster, and take advantage of the way today's customer wants to get a loan, are able to create opportunities for positive customer experiences while reducing cost and risk.

As a result of modernizing its communications and user experience, BMW was able to realize a growth in customer loyalty by improving contact success rates.

At VTB24, lack of credit history is no longer an obstacle. The lender is able to be more creative with its offers by looking at different types of data and creating models that support offers that will find success with prospects as well as reduce risk for the lender.

**Providing prospects with the sophisticated online experiences they expect and communicating through the channels of their choice are key to creating more profit**

As a result of modernizing its communications and user experience, BMW was able to realize a growth in customer loyalty by improving contact success rates. It saw reductions in right-party contacts by at least 12%. Call abandonment rates also plummeted and contact rates more than doubled. More than 200 additional BMW car sales in a 12-month period were directly attributable to call efforts after the modernization.

At the large bank, newly automated communication and digital self-service are now enabling customers to find their answers more quickly and complete applications in ways that work best for them. The resulting customer loyalty is feeding business growth.

**Using data and analytics to make lending decisions creates the opportunity to grow profits, create winning offers without added risk**

After modernizing how they made lending decisions, Toyota Financial Services was able to help more than 1,600 customers avoid repossession and stay in their cars, and prevented 10,000 customers from reaching a stage of delinquency that would affect their credit. The key was to be proactive and make more intelligent choices right from the start with its customers, rather than waiting until it was too late. The program also helped grow the lending portfolio by 9% without adding collections headcount.

At VTB24, lack of credit history is no longer an obstacle. The lender is able to be more creative with its offers by looking at different types of data and creating models that support offers that will find success with prospects as well as reduce risk for the lender. It is now not only keeping pace but also gaining share in the rapidly emerging Russian market.

VTB24 increased application processing to 3,500 applications hourly. It can now process this impressive number across its 1,000 sales locations, and it has reduced approval times by 50%.

The large bank is now using analytics to drive a new level of business. It can use prospect data and modeling to target new business that meets with its risk-to-return ratio right from the start. The lender is also able to quickly create a range of offers most likely to meet the needs of these prospects and deliver them in ways that create the most success. Resource savings and increased profits are the results.

**Lenders that can speed decisions to their prospects are able to keep up with the pace of the fast-moving competitive market**

The regional lender is no longer dependent on manual processes. The modernization it implemented is driving impressive results—loan applications are on the rise and the time to book an account has decreased from three days to 30 seconds. Customer satisfaction and loyalty have grown because of the reduced wait times.

VTB24 increased application processing to 3,500 applications hourly. It can now process this impressive number across its 1,000 sales locations, and it has reduced approval times by 50%.

With the automation implemented at Harbor Credit Union, loan volume increased by over 250%. Turnaround time is now just minutes on loans under \$50,000.

Partner with FICO to leverage our years of experience building efficiencies with global organizations of all sizes. FICO can help you understand your own unique situation and how best to scope for change in ways that support scalability and ongoing growth.

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