



The Future of Automotive Banks

Leveraging Connected Services in Financial Services





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Executive summary

Changing customer expectations and new technologies pose major challenges for traditional auto finance providers. Aging business models need urgent transformation in the face of new technologies if providers want to remain relevant.

For several years now, OEMs have been offering connected services. However, the technological and commercial breakthrough is expected in the industry in the next three years. This will lead to connected services becoming a core differentiator in vehicle choice for customers. By 2030 we expect that OEMs will generate 25% of revenues from software-enabled services¹—and so could automotive banks.

Due to their proximity to OEMs² and the obvious possibility of sharing data within the group, captive banks are in an advantageous position. But connected services offer new opportunities for use cases and business models for all automotive finance providers and could thus revolutionize the industry.

Executive summary

In this study, we analyze internal and external influencing factors to consider when exploring the opportunities that connected services offer automotive finance providers. They need to consider changing customer needs, an evolving competitive landscape and the impact of connected services on the value chain's existing processes, systems and organization. We therefore examine automotive banking from four perspectives.



Rethinking customer journeys



Competitor train: It hasn't left the station yet



New capabilities wanted!



Cases require investments

Based on the three strategic automotive bank positionings we introduced in our 2021 study (**“The Future of Automotive Banking”**) we have developed three connected services technology use cases and examined their effects on processes, technologies and organizations.



Usage-based financing product



e-Wallet transaction platform



Fleet management optimization

The demand for connected services is expected to increase tremendously in the next three years. Automotive banks have to shift their focus from pure sales to customer experience and life cycle management—with an emphasis on customers' everyday lives. They should start now: develop a three-year strategy to leverage connected services and update business models accordingly.

Changing consumer expectations and increasing connected services relevance

Modern customers value connectivity as a major purchase or leasing decision factor: more than 50% of all customers will change their car brand if the competitor offers better connectivity³. Moreover, they expect continuous improvements in connected service offerings and seamless digital experiences. They want the kind of accessibility, convenience and flexibility they are used to from providers like Netflix, Airbnb and Spotify.⁴



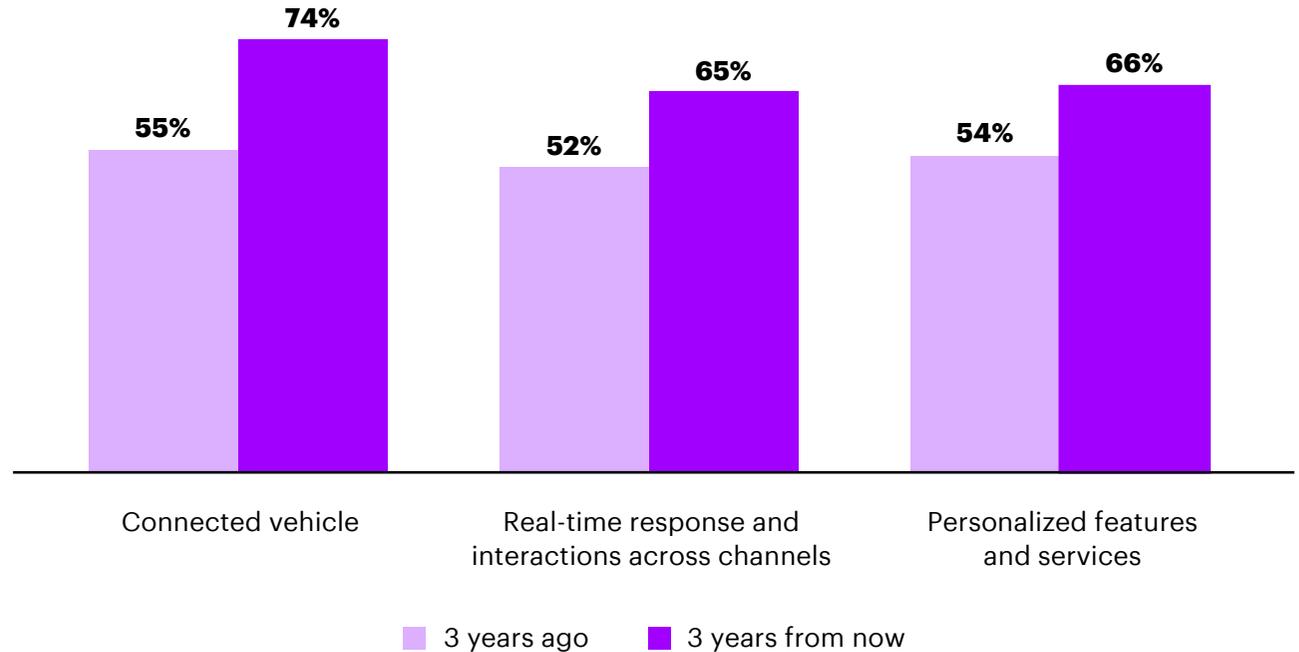
According to a customer survey we conducted, it can be assumed that the importance of connectivity and personalization of features and services will increase significantly in three years' time.

The automotive industry's customer connectivity drive of the last few decades has been undeniable. Flexibility of goods and services after initial purchase is nothing new. Demonstrable example from other industries include Wi-Fi packages for flights, upgrades for rental cars or improved point-of-interest navigation for state-of-the-art vehicles.

From an OEM perspective, cars have been transformed—from the first digital onboard computers, to phone mirroring to entire operating systems (like Android Automotive or the recently introduced update of Apple Carplay⁶). Tesla introduced tablet-sized flatscreens in vehicles and despite traditional automakers' concern, customers loved it. The introduction of the flat screen led to continuous improvement in the size and functions of in-car-infotainment based on customer demand.

Figure 1: Automotive customer experience attributes⁵

Customer experience attributes that customers consider as the most important (% of respondents)



The push for connected services can also be traced to two other factors. First, the shift to “servitization”⁷—vehicle subscription models and leasing offers are on the rise compared to stagnating car purchases. Customers place decreasing importance on vehicle ownership. The second factor is the rollout of connected OEM services across all models and variants and the complexity reduction of battery electric vehicles (BEVs) with a strong focus on single platforms like Volkswagens E3 2.0 or SSP⁸ and Mercedes Benz MMA. Since June 2022, Audi has offered customers of its larger models (A4 and upwards) VR functions for passengers in the back seat⁹, further integrating connected services into vehicle ecosystems. The VR experience features “elastic content” influenced by the actual driving and acceleration of the vehicle.

Customers want to individualize their cars even after taking delivery. New financing models also enable OEMs to encourage adoption of BEV models among customers who have investment and residual risk doubts about electric vehicles. The future of automotive retailing brings a wide range of new services and products and will



drastically increase the value chain significance of automotive banks given the demand for new solutions and products. All major OEMs now advertise vehicle-specific functions and connected services on their websites. Examples include “my Audi” or “Mercedes me”, with digital keys, eSIM, maps or connected charging. Service categories range from improved information, comfort,

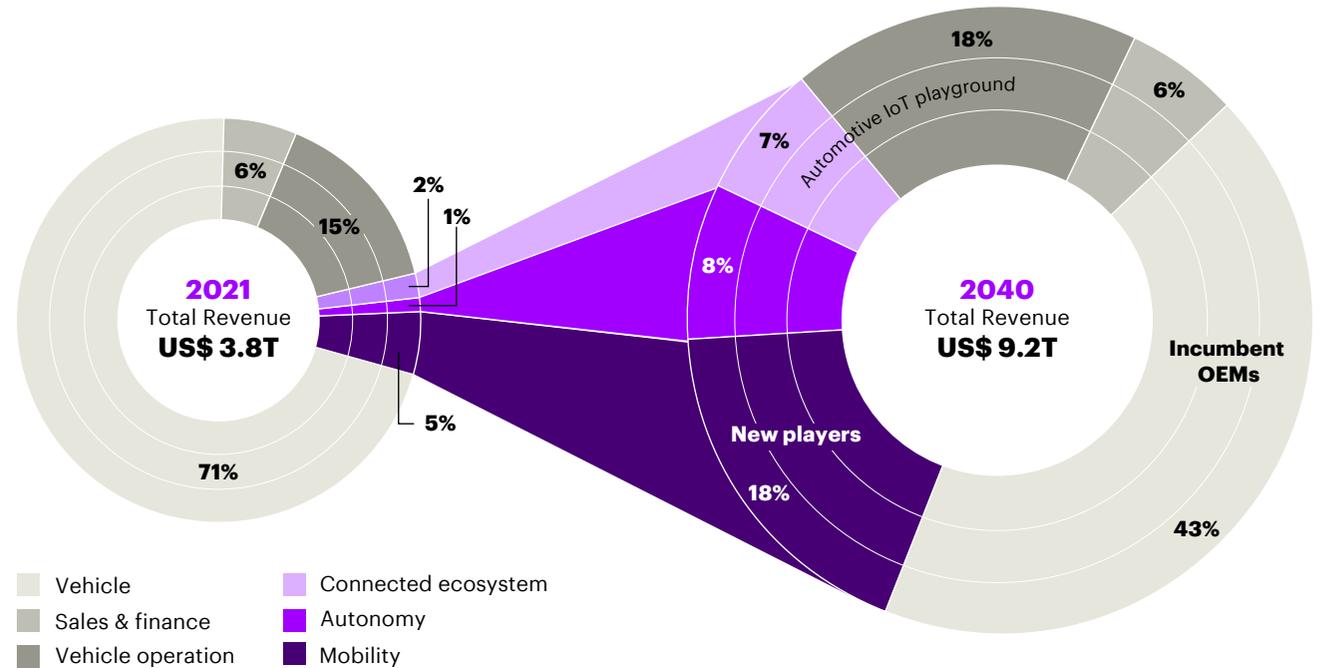
entertainment, productivity and communication to vehicle safety. Despite OEMs’ transformation to capture additional revenue and expand their traditional portfolios, potential automotive bank business cases remain uncharted.

What should automotive banks' connected services look like? We believe that some connected services have hidden potential that automotive finance providers' distinctive capabilities could help them capitalize on. The automotive connected services market for Germany is already estimated to fuel billions of Euros in annual revenue for services which have not been offered by automotive banks yet.

In a disruptive scenario, mobility and vehicle-as-a-service may account for half of mobility market revenue by 2050—given vehicle sales stagnation from 2030 onwards¹⁰. By 2025 the global connected service market revenues will grow to an estimated 150 billion Euros.

The automotive profit pools of new mobility and new auto will be attacked from various angles as seen in figure 1. The most recent rollout of car subscription models among startups, neo banks and OEM-bound captive banks should agitate auto finance providers. The agitation will function as a wake-up call—that the race for customers and digitization is at the front door.

Figure 2: Automotive Profit Pools¹¹





However, not all revenue streams are relevant to captive finance companies, which means they can limit their focus to some degree. Traditionally, automotive finance providers need to defend three main areas of competition from new market entrants to lock in revenue streams and profitability: sales & finance, connected ecosystem and vehicle operation. These stem from the focus on vehicle sales finance and car loans for private customers from traditional automotive banks. Other revenue streams like vehicle ecosystem, mobility, and the vehicle itself are tied directly to the relevant OEM and development of future platforms.

It isn't surprising that the automotive and mobility market's major profit pools and revenue streams are transitioning towards digital assets. By 2050 more than 50% of automotive-related revenues will stem from MaaS (Mobility-as-a-Service) and Smart Services.¹² The future will likely see closer collaboration between OEMs and their partners to assess connected service offerings before start of production or Job #1, due to strict functional safety requirements and customer expectations for seamless digital journeys. OEM-bound captive banks could benefit from this development tremendously: faster time to market and exclusive

distribution rights for financial products related to on-demand functions and connected services—as opposed to independent auto banks without access to these assets. Captive banks will be able to offer new services integrated into vehicle platforms before non-captive banks and others are able to assess the strategic potential in terms of customer data and cross selling.

In this point of view, we try to provide an ideal connected services roadmap for automotive finance providers considering integrated service offerings, profitability and the technology, processes, and organizational changes needed to deliver such solutions.

Improved auto financing: Status quo and opportunities



Rethinking customer journeys



Competitor train: It hasn't left the station yet



New capabilities wanted!



Cases require investments





Rethinking customer journeys

In an increasingly interconnected world led by continuous and rapid technological change, people are increasingly used to near-instant services or products via their smartphones. Customers are familiar with online shopping and delivery within a few hours, or immediate booking of the next ride by car, scooter, or train. These new norms decisively change customer behaviour. At Accenture, we see significant parallels between customers' daily lives and the way they use mobility. Mobility was traditionally a way of getting from A to B. Nowadays, customers seek connectivity of services—so-called “connected services”. This is reflected by market revenues expected to reach \$ 76 billion in China, the US and Europe by 2030.¹³

Vehicle-centric connected services will transform the automotive industry, and auto manufacturers need to adapt to new market requirements to succeed.¹⁴ The market for connected cars has three segments: the connected hardware of a car, smart vehicle services (like remote services, maintenance and diagnostics) and infotainment services.¹⁵ Customers' demand goes beyond mobility itself since they expect tailored, flexible products at controlled cost. Due to these changes in consumer behaviour, automotive finance providers should identify solutions to handle payment transactions and additional financial actions of automotive end consumers. Payment enablement could go beyond leasing and financing and include identifying payment systems to facilitate manufacturers' cross- and up-selling strategies, for example.

An observed trend is that customers with a leasing or finance product are more likely to pay for further connected services offered by automotive finance providers than car owners. Extra services could include usage-based financing, smart parking solutions or “all-inclusive” car abonnements. With just a handful of captive banks or mobility providers currently able to offer a digital connected services experiences, we see an urgent need for customer process digitalization. The vast potential means automotive finance providers should identify opportunities now, as financial pioneers have already engaged in these areas. The complexity means this engagement will take years, so being first to market is vital.



Competitor train: It hasn't left the station yet

Connected car services have become standard, with every OEM now offering them. Their importance to purchasing decisions is especially relevant to smartphone compatibility increases, while brand significance is decreasing.¹⁶ The evolution of connected cars started in 1996 with the introduction of GM's OnStar.¹⁷ The connected service sent out automated emergency calls. Since 2018, this feature has been mandatory in the European Union. In the meantime, new products like the first in-car LTE internet connection (from Audi in 2013) have been launched. Now, connected services offer even more such as telematics.

Companies within financial services could offer their own amenities while expanding their businesses. Nonetheless, not many automotive finance providers have taken advantage of these opportunities. In 2016, GM announced that it would launch a payment solution called "Masterpass" in association with Mastercard. Within the Onstar system world, it should be possible to conduct

payments comfortably through simple "drive through" without having to carry out a payment process.¹⁸ However, since the announcement no further release information has appeared. Volkswagen Financial Services, on the other hand, only recently announced that it was selling the majority of shares in its payment platform to JP Morgan. JP Morgan sees great opportunities in the business, expecting that the connected vehicle, digital payments experience and customized payment services will all become core features of future business models.¹⁹ One of the few financial service providers developing finance products related to connected services is Korea's Hana Bank. In cooperation with Hyundai and Kia, new products are being developed by Finda, a fintech start-up owned by Hana.²⁰ Exactly which services this will include is not yet known, but it is certain that they will include connected services. Tech companies like Apple, on the other hand, are opening the gateway to connected services ever wider.

With the new version, Apple Carplay wants to operate all other displays in addition to mirroring the iPhone in the center console display.²¹ Almost all data relevant for daily driving will be displayed via Carplay, from the speedometer to the battery level. Comfort functions, such as the air conditioner or the massage seats, will also run via Apple. It doesn't take much to imagine that integration of the payment service is also not far off.

In summary, OEMs are already involved with connected services, especially in cooperation with large technology groups. For financial services, this opens opportunities to expand the business, while there is still a great untapped potential. Given that there aren't concrete examples of recent innovative financial services products, increasing enablement of connected services is inevitable. Besides, automotive banks and OEMs should engage each other while shaping innovative connected services.



New capabilities wanted!

While new customer requirements are a constant threat to established automotive banks, major OEMs alter their business models reactively rather than proactively—though adjustments are inevitable. Nevertheless, competitive advantages such as focusing on transparency remain crucial. Even though customer loyalty is currently still quite high, the concept of owning a vehicle is becoming less important. The development of demanding core organizational competencies is essential. Below, we discuss three central perspectives—process, technology, and organization—in more detail.

From a process perspective, intuitive, seamless, and integrated digital solutions with real-time processing are inevitable since a plain and direct integration of digital services is now the norm.²² Furthermore, customers expect integrated sales of innovative financial products, but there are

currently few defined customer journeys with connected services. Therefore, we have identified an urgent need to effectively integrating customer requirements within internal processes and adapt relevant core capabilities whenever necessary. In addition, there is great demand for smooth and individual services in all channels. Hence, capabilities should enable offerings of innovative and customized services and products as well as efficient resources in terms of resilient and digital processes. While flexible amendments position a new standard of expectations, adaptable process structures provide strong automation while maintaining appropriate service levels throughout all internal departments. Since regulatory requirements are expected to increase, an intelligent internal control system directly integrated within the process structure is essential.²³



With respect to technology, new data such as vehicle and customer data create a need for environmental, context-based, and individualized offerings and enable new business models and services. Therefore, processing data while replacing legacy technology still in use in the back offices of most automotive banks with the integration of state-of-the-art technology is a prerequisite to enable real-time platforms. Strong processing power can encourage effective data application. Besides, a scalable cloud-based infrastructure is crucial to decrease the time required to process data streams.²⁴

Automotive banks are becoming the most important organizational selling partners for end customers. Changing customer demands require new organizational structure and professional roles that can be carried out in cooperation with the OEMs. This remains critical for customer-centricity, data-driven operations, and so forth.²⁵



Being competitive in the long run also requires transformation to an agile organizational structure while leaving behind familiar structures and encouraging departments to collaborate as far as appropriate. In this regard, a holistic end-to-end accountability provides a structure to accomplish effective operationalization within the back office.

Hence, an extensive shift in mindset is required. For instance, the innovative improvement of delivery service processes is supposed to reduce costs and might facilitate indirect revenue while successfully employing data.²⁶



Cases require investments

While enabling capabilities against the changing mobility ecosystem, case strategies should focus on consumers and technology. As there are interdependencies, a positive result at first sight does not necessarily lead to a long-term increase in efficiency and market potential. In this regard, a holistic transformation would be ideal since capabilities benefit from uniformly end-to-end process adoptions. A central success factor is therefore the efficient utilization of customer data as well as usage data.²⁷

The current setup regularly separates OEMs and automotive financing into two functional areas, whereas combination offers more potential. On the one hand, OEMs usually register data associated with vehicles—categorized as usage data. Automotive banks on the other hand, collect data regarding general aspects associated with customers in a financial context, e.g., instalments, duration of the contract, and so forth.

Only the combination of both features can facilitate competitive advantages. Holistic digital transformation of both OEM and automotive banks allows for sustainable growth.

As a prerequisite, the processing of information needs to be harmonized and state-of-the-art technology is required to be implemented. Thus, customer data as well as data associated with the usage of vehicles can be utilized in order to apply single use cases. In this context, for instance, predictive maintenance should be integrated while collecting and analyzing usage data by OEMs and additionally combined with usage-based financing and insurance. Ideally, the customer can use various digital payment services authorized by the automotive finance provider.

Moreover, the increase in regulatory requirements demands efficient data streams enabling to document information in a holistic, unmodified, and timely manner. It might also become suitable to outsource services which are highly complex but are not expected to generate relatively enough value as a professional partner can deliver more efficiently. In principle a wide range of business cases apply, since data can be used to create smart-connected products or innovate processes. Value contribution might therefore be indirect while data initializes entirely new potential. To conclude, connected services offer a high use case potential but nevertheless, require a holistic transformation to generate sustainable value.

Three connected service usage and business model update examples

In our study **The Future of Automotive Banking** (2021) we have explained the need for automotive banks to reconsider their business model, develop a transformation strategy and acquire new, enabling core competencies in order to stay relevant and participate in the rapidly growing mobility ecosystem.²⁸ Also, we introduced three strategic positionings for automotive finance providers in the future—Digital Champion, Platform Provider and Mobility Service Provider. Each of these positionings contains a different approach in which connected services can be leveraged.





Usage-based financing

The differentiating feature of Digital Champions is to offer an outstanding digital user experience in one specific service, as well as easy API-based integration to scale customer reach and offer operational excellence automation all the way to the back-end.²⁹

When shopping online for instance, one can often find a new option appearing on the checkout screen that presents the opportunity to finance our purchase. Embedded financing is becoming pervasive across all asset types, from laptops to lift trucks, and including services such as vacation travel, on B2C, B2B and even P2P shopping sites. The aim of automotive banks should not be to simply digitize existing products and processes, but rather to focus on redeveloping core products like loan and leasing to be truly customer-centric and offer an excellent user experience. One could

imagine many use cases that could be supported by connected services, such as leveraging the large volumes of data generated to offer a financing product based on actual customer usage, instead of estimated consumption, at the beginning of the contract.

Depending on the customer's needs and how long the vehicle is required, it is conceivable, for example, that the contract could initially be concluded as a subscription for a few months. Enabled by telematics, a car financing solution based on blockchain could connect the vehicle with its financing. This means that the final rate paid by the customer could be calculated on the basis of actual usage and driving behavior as is done with opt-in auto insurance today. For example, customers who drive in a fuel-efficient manner could be rewarded.

If it becomes clear after a few weeks that the customer drives significantly further than originally assumed, the contract could also be adapted. Ethereum smart contracts, for example, provide the technological foundation to replace paper-based and manual processes.³⁰ Advantage for an auto finance provider would be to obtain faster, more efficient and more secure processing and documentation of vehicle financing. They could benefit enormously from an accurate source of information (car history) as the valuation of used cars would be much more precise, as would residual and resale value calculations.

Some examples already exist in the market, and with their disruptive approach they compete with established auto banks. At the end of 2021 the FinTech Auto1 FT launched a car financing solution on blockchain.³¹ Every vehicle financed by Auto1 FT receives a smart contract based on the Ethereum blockchain, paving the way for automatically generated, legally binding agreements and purely digital processes—free of human intervention. Smart contracts provide the advantage to contain all information and processes related to the vehicle, such as the chequebook and a comprehensive

vehicle history, including payments and previous ownership. Thus they enable many use cases and options for cooperation with digital partner companies.

And cooperation is the right keyword for established automotive finance providers that are considering whether such a product could have a promising future. The establishment of a separate unit and the necessary personnel and know-how would certainly involve significantly more effort and risk than looking for a suitable partner with the necessary expertise. At the same time, the potential for savings and efficiency in the digitalization and automation of financing processes should not be ignored.

One thing is certain: automotive finance providers should not wait until connected services become the ubiquitous standard in three years' time to address these issues, but should do so today.





e-Wallet transaction platform

Digital attackers, tech giants, neo- and challenger banks already started exploiting the potential of the growing mobility market. Automotive banks need to reconsider their strategic positioning—becoming a one-stop shop for customers’ mobility desires may be an answer to rapidly changing customer demands and disruption caused by new competitors and growing technological capabilities.³²

Imagine a customer who stops over in Munich on his way to Austria with his BEV (Battery Electric Vehicle). The mobility app directs him to the nearest charging station and after the vehicle’s battery is fully charged, he receives an e-mail including the charging costs and reward points for the booking. On the way to Austria, he decides

to use the in-vehicle infotainment offer, buys a podcast and, as he is freezing, decides to unlock the winter package. The payment is processed within seconds—and a part of it is made by exchanging reward points. He also receives a reminder that the next inspection is due soon and books the date and time.

Every booking and purchase on the platform may generate new revenue for the automotive finance provider. The finance provider could earn transaction fees on each purchase as well as a partial fee for booked services like parking or charging. In addition, the provider could make use of the collected customer data for continuous process optimization, lead generation and advertising. So far so good—in theory. In practice, requirements such as strong customer authentication (SCA) of the revised Payment Services Directive (PSD2) must be taken into account when finding solutions.

The platform provider strategy described in our last POV³³ envisages an open, brand independent platform bundling a variety of mobility services such as vehicle financing, connected services, parking services, micro-mobility services and charging stations. Aggregated, end-to-end services are accessible to customers, enabling seamless customer experiences. Customer loyalty and high traffic on the platform are assured using reward programs—points earned are used for future payments and discounts, further influencing purchasing decisions.

In this scenario, a mobility financier/automotive bank would be particularly suitable for partner orchestration if it offered a payment solution for all connected services. The bank could act as gatekeeper for third-party services, deciding which aggregated services are going to be accessible to customers. A connected-car-payment infrastructure would need to be linked to an e-wallet solution for the customer. All mobility services should be easily bookable with just a few clicks either via the mobile phone or the cockpit of the car. In addition to payment processing, a reward program could play an important role in incentivizing the use of



the platform and increasing customer loyalty. Here, numerous added values are conceivable for the customer to use the payment service. For example, the possibility of tracking one's own eco footprint and offering cash-back incentives for improving CO₂ emissions. In future transformation stages the use of blockchain technology is conceivable, turning the car into an autonomous business entity that is able to pay for mobility

services on the go e.g., ZF Car e-Wallet.³⁴ There are several advantages to this use case. Traditional core business and a product-centric mindset are transformed into a technological mobility transaction platform, thus generating new revenue streams. Cooperation with specialized third-party service providers (e.g. P97) and big tech players may help the mobility finance provider to speed up end-to-end modernization of its IT backbone

and improve the time to market. The passive role that automotive finance providers have played in customers' lives could be augmented to everyday life and drastically enhance the customer relationship.

Automotive finance providers willing to become the next Amazon for mobility services would need to consider transformational changes in four key areas: collaboration, processes, technologies, and organization. Collaboration with strategic partners like startups, big tech players, original equipment manufacturers (OEM) and various mobility service providers is the key to creating a functioning mobility marketplace and unlocking the potential of connected services. Startups offer connected services in areas like remote services, telematics, navigation, data analytics, cybersecurity, and infotainment. Big tech players may help finance providers to modernize their IT backbones and shape the required tech infrastructure. Logically OEMs would offer themselves as partners for integration of newly-developed and easy-to-use software and services.

To become payment and e-wallet providers, banks would need to digitize their backend processes and develop a connected-car-payment infrastructure. The payment process needs to be convenient and seamlessly integrated into the mobility platform, This creates a unique value proposition, and makes it equally attractive for customers and mobility partners to join the platform.

For this, an API-based IT infrastructure is essential, ensuring the third-party service providers can join the platform as convenient as possible³⁵. Secondly, the finance provider needs to thoroughly analyze and modernize its IT-backbone end-to-end. Thirdly, and most importantly, the finance provider needs to decide whether the development of its platform, services and setting up of the connected-car-payment infrastructure should be executed and operated in-house or outsourced to third-party tech providers.³⁶

This transformation of automotive finance providers' business models requires organizations and their employees to accept and adapt to the "new normal". Most important is to drive cultural change and a new data-driven and customer-

centric mindset. To align the bank's culture with its newly developed strategy and processes, various factors need to be considered. These include adjustment of the organizational structure, conception of new remuneration models, training and upskilling of the existing teams, development of new core values and transparent communication and talent recruitment to successfully implement the coming changes.

Automotive finance providers seeking to become platform providers must drive a complex full-scaled transformation of processes, tech backbone and organizational structure. Thorough cost-benefit analysis is needed to assess whether the implementation of this transformation journey is worthwhile for the provider. Nevertheless, whoever succeeds in consistently implementing this strategy will benefit from a new positioning in the value chain and relevance in customer lifecycle as well as new revenue streams.



Fleet management optimization

As the last of the three strategic positionings presented in our last PoV, the Mobility Service Provider (MSP) can be characterized by its focus on the internalization of residual risk and asset heavy fleet management, thus offering customers greater flexibility. In the industry, it is known that the biggest challenge of steering asset risks is new trends and mobility concepts because they call for re-evaluation and can make prior prognosis obsolete.³⁷

Therefore, the role of the MSP is exclusively reserved for OEM bound captive banks, which have recently gained more distributive and retail capabilities in the past from their parent OEMs. A good example is the rollout of vehicle subscription models by VW Financial Services rather than by the retail unit of

VW AG itself.³⁸ Flexible contract management is the key to profitability in this strategy—including agile pricing and the access to premium cars with new connected services for individual and corporate use. Partnerships with dealers and rental companies elevate the optimal vehicle utilization from the perspective of the applicable MSP. In contrast to the digital champion, the MSP tends to focus on corporate customers like large dealerships groups and rental firms. By aggregating the asset-heavy risk pools and having control of distribution channels via offline and online channels, automotive finance providers can estimate residual risk values with agile models to find the most profitable ways to lend vehicles to customers.

MSPs offer a wide range of services—from the vehicle itself to connected services and OEM-specific functions on demand, which give fleet managers optimal flexibility without having to change vehicles between users. Fleet optimization

and connected services focused on smart charging solutions, improved navigation, predictive maintenance and digital twins and checkbooks will play a vital role in the future of automotive retail. They are indispensable to the success of an MSP-focused automotive bank.

The first pillar to analyze is the technology and IT solution of automotive banks. A customer friendly offering of finance products related to connected services by automotive finance providers can only be achieved with the support of a powerful IT backbone and payment solution. Large amounts of customer and vehicle data must be collected, encrypted, processed and residual risks constantly adapted to bring B2C benefits to the client and steer the bread-and-butter business of automotive retail.

Turning the potential of connected services into reality will be a challenge for providers, due to the high investment costs to prepare payment solutions for daily transactions and scalable fleet management solutions. For automotive banks striving to become Mobility Service Providers, having the most impressive front end will not be as important as an effective and outstanding

backend performance to set one apart from competitors. Advanced data analytics, while maintaining compliant with domestic and international law, enabling the integration of real time risk and residual modelling for connected vehicles across the various distributing channels of the automotive banks mark the challenge of the digital era. The complexity means automotive finance providers should choose proven IT-systems from the market instead of costly in-house-developments, to handle interaction of products, processes, partners, and IT-systems. Major OEMs' journey to cloud is simply a matter of time.³⁹ APIs and the access they give to vital data contain valuable tools to achieve more profitable connected services in the OEM-bound ecosystem.

Despite banks' understanding that data analysis is important to the captive value chain, big data analysis has not yet arrived in the German banking market at scale. Its potential has not yet been unlocked. The opportunity cost of technology investments has been modeled by Accenture coming to a dramatic conclusion: latecomers may lose up to half of their yearly revenue in the next few years.⁴⁰ Future systems leaders can capitalize



on their technological leadership by achieving twice the annual revenue growth rate of latecomers by relying on cloud solutions and decoupling their entire IT stacks.

The second important factor (often overlooked or perceive as trivial to the success of new MSP business models) is organizational structure. In a macro sense, we believe OEM-bound banks will continue to collaborate with their key partners in an OEM, dealers, automotive bank triangle, with changes in tasks and capabilities. Combined with connected services we see impressive growth potential for automotive banks and MSPs who finance and support large car dealer groups and other mobility provider fleets.

In a micro sense, the complex operations and IT backbone require further collaboration within the company itself. Matrix organizations and cross-functional teams in risk management, data analytics, IT, accounting, and all other established divisions are needed to adapt the portfolio of automotive banks and assess problems. Nine out of ten (91%) of the global IT-systems leaders are using inter-divisional teams from IT and specialist

departments to develop more customer centric solutions.⁴¹ This will become more relevant, as modern ecosystems will become too complex to handle alone and will fuel collaboration between the OEM, dealers, automotive banks, and service partners to offer seamless customer journeys and evaluate the potential of new connected services of new vehicle platforms.

The last pillar to assess necessary capabilities of MSPs for automotive banks are processes. Processes within the automotive bank need to become digital, clearly specified, and automated protocols. A digital car loan request must result in a completely digital customer journey to meet expectations and save time. Each step in the service offerings between automotive finance providers, OEMs and customers must be evaluated and potential pain points identified and neutralized. This is especially important since MSPs target mainly B2B customers and offer fleet management services and optimization for thousands of vehicles (with simultaneous individual use of company cars or leasing vehicles). Process quality will take a leading role not only in the mitigation of financial risk but also cost saving according to

TCT (Total Cycle Time) and functional safety. Additionally, global trailblazers leading in revenue and profitability optimize and steadily improve three times more business processes within the company than their peers, underlining the importance of functional and customer-centric processes.⁴²

Conclusion

Based on our analysis of the impact of connected services on the automotive finance business model (from customer, competitors, capabilities and relevant case study perspectives), captive finance companies and especially automotive banks still follow a mainly one-sided approach in terms of sales support for OEMs as well as profit generation.

Although automotive finance providers have developed into an economically relevant banking group that contributes to securing the entire automotive value chain, there is still a lack of innovative financial products in combination with connected services as well as a clear concept for customer lifecycle management.

Since customers expect accessibility as well as convenient and customized financial products and services in all channels that meet their individual needs, these aspects remain fundamental regarding future strategies. Automotive finance will play an increasingly important role since payment transactions (especially in-car) will gain even more relevance in the future. In this context, automotive finance can be the central selling point for customers in terms of transacting connected services.



Therefore, captive finance companies, especially automotive banks, need to shift away from pure sales support by diversifying their financial product offering towards mobility and connected services to maximize the lifecycle value of their customers. The concept of leveraging connected services should be integrated into the organizational structure of companies to enable successful customer-centric lifecycle management.

In this context, it is essential to consider and integrate relevant capabilities such as processes, technology, and organizational aspects as part of a holistic digital transformation. At Accenture, we believe that the focus of automotive finance will expand to include customer lifetime value, in addition to the traditional elements of revenue and profit. Banks will play an increasingly active and involved role within the OEM group by increasing their overall focus on customer lifetime management. In this new role automotive finance providers should set their focus on the evaluation and potential redefinition of following key topics:

Key topics



Customer Experience:

Integration of innovative finance products in mobility concepts by leveraging connected services



Customer Relationship

Taking over the management of the customer relationship through customer-centric transformation to increase customer loyalty



Omni-channel Distribution

Enabling the accessibility of financial products and customer service through omni-channel distribution



Data Management & Analytics

Performance of business intelligence management by using new vehicle and customer data to enable new business models and services

To remain competitive in the long term and to fulfil customers' requirements, automotive banks should urgently develop and adopt a strategy to leverage connected services and thereby assume their new role, focusing on the next three years.

How Accenture can help

Our Accenture captive finance team supports and guides automotive finance companies to turn trends and challenges in the automotive industry into opportunities through following service offering:

- 1. Review and assessment of current business model**
- 2. Design of customer target operating model (TOM)**
- 3. Implementation of the defined TOM**

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