

CASE STUDY

Reimagining Auto Financing for a Leading Canadian Bank

Overview

In recent years, the auto financing industry has seen a shift towards digital and direct financing models. Customers now demand faster approval processes, more competitive rates, and greater flexibility in financing options. Our client, a leading bank in Canada, partnered with Tech Mahindra to transform their automotive financing model by developing a cloud-native, responsive web application. By facilitating direct-to-OEM financing, this collaboration enabled them to bypass traditional dealer channels, reducing approval times to just two days, and delivering a more efficient, customer-centric financing solution.

Client Background and Challenge

Our client, a leading Canadian bank, faced significant challenges with the conventional automotive financing model. This was deeply dependent on dealer channels, where customers secure financing through third-party lenders affiliated with the dealers. This reliance caused revenue stagnation, high rejection rates, and inefficiencies, with approval times stretching up to a week. This arrangement gave autonomy to the dealers to select the bank for the customer and presented several challenges for the client. The key challenges the client was facing included:

Revenue and Profitability Issues:

Heavy competition and intense price competition, along with dealer commissions, made it tough for the banks to maintain profitable operations.

Extensive Manual Effort:

The extensive manual effort and back-and-forth communication through dealer networks further complicated the process, leading to inefficiencies and delays.

Also, due to the pandemic, the client sought to explore other revenue streams. It became difficult to grow revenue with customers avoiding dealership visits, thus necessitating a contemporary financing approach.

Our Approach and Solution

Tech Mahindra identified the inefficiencies in the traditional automotive financing model and the need for a different financing approach during the pandemic. To address these issues, Tech Mahindra developed a cloud-native, responsive web application on Azure to support direct-to-OEM financing. This platform streamlined the automotive financing process by allowing the OEMs/customers to bypass dealers and approach banks directly for vehicle financing.

Features:

White-labeled Solution

Quick Onboarding

Embedded Auto Financing

Contract Generation

Intuitive Interfaces

Personalized OEM Dashboard/Action Hub

Our solution incorporated:

OEM Dashboard: Allows OEM users to manage applications, view in-progress applications, and submit new ones.

User Management: To facilitate OEM user registration and management.

Application Processing: For the collection of applicant details, vehicle details, trade-in information, and stipulation management.

Contract Generation: Facilitating e-signature and e-consent for finalizing contracts.

The application was designed to be adaptable for future private auto sales and direct-to-customer auto loans. It also provided flexibility for further market expansion and enhanced customer service. Additionally, it was built for efficiency to enable OEMs to be integrated within just two weeks.

Business and Community Impact

Increased Efficiency and Customer Experience: The reduction in manual effort and elimination of back-and-forth communication through dealer networks led to a more efficient and faster process. This decreased approval times from up to a week to just 2 days and provided a more satisfactory experience for both customers and banks.

Revenue Growth: The new direct-to-OEM platform provided banks with an alternative revenue stream, elevating auto financing revenue. At least five OEMs were onboarded, resulting in a 15-20% uplift in net new applications. This gave significant potential for further growth by adding more OEMs and applications in the future.

Competitive Edge: By partnering directly with OEMs, banks could reduce reliance on dealer channels and mitigate intense competition, resulting in better profit margins and stronger market presence.

About Tech Mahindra

Tech Mahindra (NSE: TECHM) offers technology consulting and digital solutions to global enterprises across industries, enabling transformative scale at unparalleled speed. With 150,000+ professionals across 90+ countries helping 1100+ clients, TechM provides a full spectrum of services, including consulting, information technology, enterprise applications, business process services, engineering services, network services, customer experience & design, AI & analytics, and cloud & infrastructure services. It is the first Indian company in the world to have been awarded the Sustainable Markets Initiative's Terra Carta Seal, in recognition of actively leading the charge to create a climate and nature-positive future. Tech Mahindra is part of the Mahindra Group, founded in 1945, one of the largest and most admired multinational federation of companies. For more information on how TechM can partner with you to meet your scale at speed™ imperatives, please visit <https://www.techmahindra.com/>.

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