

## CASE STUDY

## LPM's "Outsource to In-source" solution for MAN Financial Services

After outsourcing its lease administration for many years, MAN Financial Services needed to bring the process in-house

When lessors are starting out, especially from an initially small base, outsourcing of lease administration is often an attractive alternative. This is what happened with MAN, the commercial vehicle and transport solutions provider. In 2000, MAN established its own captive, MAN Financial Services ("MFS"). Having previously worked with a banking partner and supplied sales finance through a vendor programme, the company made a strategic decision to outsource these functions to a specialist partner who could produce the results MFS required.

### "A requirement for substantial investment in systems."

"We decided we wanted to retain the profitability in house, and provide the financing ourselves," says Andrew Laming, CFO, MFS. "However, since we were a new company with limited experience in leasing, and a requirement for substantial investment in systems, outsourcing seemed the logical answer. We spoke to a number of banks, one of which was our then current vendor finance organisation, and a number of big financial organisations, but when we spoke to LPM they were able to demonstrate their excellent experience in the industry. That was "their bag". Other organisations seemed unable to demonstrate such a high level of experience. With LPM, that was their business."

Under the outsourcing agreement, LPM delivered the accountancy expertise, and managed administrative processes specific to leasing operations to help MFS develop its operation at a rate, and to a scale, they could never have achieved if they were doing it from scratch, internally. LPM had the expertise, staff, and systems to deliver and support rapid growth at MFS with no head



Andrew Laming

count or recruitment costs.

A "standing start" is how Andrew Laming would describe MFS' position at the beginning. From day one, LPM took over operational processes to provide immediate administrative support combined with a very personalised service delivered by a dedicated team of experts.

"In the early days, I would have almost daily contact with LPM as they finalised all the processes and controls. We had regular monthly reviews to examine any issues, and a very open relationship. We could tell each other exactly how it was without worrying. We saw them as another internal department located in a different office."

MFS' business developed very quickly over the first three to four years in line with original forecasts. "Our financing volume, or the balance sheet value of the assets on our books, has grown to around £250 million over the last eight years," explains Laming. "We could never have achieved this level of growth, at relatively low cost and low risk, without outsourcing the leasing administration to LPM."

On average, LPM Outsourcing would

raise between 1,500 and 2,000 invoices a year for MFS. This amounted to a major responsibility for LPM as an outsourcing partner both in terms of raising the invoices, and debt management.

LPM delivered the service under the brand identity of MFS. "We regarded LPM as an extension of our business, the bespoke service package they provided worked from both an operational and strategic point of view," says Laming.

The technology back-end supporting the leasing operation could be easily controlled to allow for special circumstances, which proved ideal for MAN as a start-up operation.

"They proved to be very flexible," says Laming. "The system they operated allowed for very ad hoc requests, and we saw the results very quickly. The upside was that if you wanted to do something for a specific customer, like an unusual payment schedule, you could do it fairly quickly."

Performance monitoring was through a Service Level Agreement ("SLA"), which clearly defined the performance requirements of the service MFS could

expect. With its strength in debt collection, LPM also helped MFS ensure prompt payments, which is critical in financial services.

“The arrears generally within the business have been kept quite low relative to other businesses in our sector. That’s probably a combination of LPM coming in at an early stage, and working closely with our team. If a Direct Debit was returned or cheque didn’t come in, LPM would chase that up initially. As soon as the payment wasn’t made they’d be on the phone straight away. They had to be on the ball and chase up. They would send out recovery letters and occasionally letters before action, and they would liaise with our own recoveries team,” says Laming.

While LPM were able to provide a key service for MFS as a start up, ultimately the process needed to be brought in-house once the company reached a certain size. In addition, MFS’ parent company had made a strategic decision to migrate its operations to a global SAP platform.

The data migration process involved was complex as a result of the ongoing SAP implementation. Because of the lack of flexibility within SAP, and the bespoke package that LPM had delivered to MFS over preceding years, the transition was complicated because of the ongoing SAP

implementation taking place internally. “The guys at LPM were very helpful throughout the migration stage, and got heavily involved,” says Laming. “SAP is very process driven, and there is no shortcut. Where there were anomalies between what SAP expected, and the data from the legacy system, we needed to create solutions to migrating the data. In some cases it would be extracted, placed in a middleware Oracle database, manipulated, and then transferred to SAP. In others it needed to be prepared for SAP manually. LPM rescheduled around 800 contracts to help us make them SAP-compliant.”

---

**“As a result of complexities the migration took several months.”**

---

As a result of the complexities the migration took several months and was completed in January 2009.

The life cycle of support from LPM had real business benefits for MFS, from the time of the start up, through the all-important early years, and eventually enabled MFS to meet its growth projections, and move to the next level by bringing its lease administration in-house.

“Certainly they brought the expertise we lacked, and it enabled us to be able to focus on growing the business, rather than on the administration. Coming into the market as a newcomer, what they can offer is very valuable. It was definitely a positive experience and the right thing for us to do, there are no two ways about it. I would definitely recommend them to anybody else,” concludes Laming.

“Our relationship with MFS developed hugely over the eight years we worked together, and perfectly demonstrates our ‘Outsource to In-source’ service designed to accelerate growth, and get start-ups like MFS was then, off the ground,” says Philip Davies, Managing Director of LPM Outsourcing. “Not only is it a low-risk strategy for the business partner, where business continuity is assured, but this project also highlights the tangible benefits of outsourcing a financial administration process, which are lowered operating costs, better cash flow, and good customer relations.

“Through our years of expertise, robust systems, flexible approach, and hands-on involvement we delivered real value to their organisation, and we’re very proud to have put MFS in such a strong position going forward as it takes ownership of its future.”