

# LPM

## Outsourcing

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## LPM delivers outsource to in-source solution for MAN Financial Services

***Over 8 years, LPM Outsourcing took MAN Financial Services from start-up to proven financial services provider***

### Core value added to business

- Immediate and fully functioning infrastructure operating as client brand
- No head count or recruitment costs
- Seamless invoice management and debt collection from day one
- Smooth migration of process and data when in-sourced
- A flexible, individually-tailored service delivered by a team of outsourcing experts

The credit crunch has certainly made it more difficult for expanding businesses to get finance from traditional sources. However, this situation has also provided opportunities for companies with access to capital to establish their own captive leasing operations and in doing so enter new markets or better manage their own growth. All too often, new entrants to the leasing market don't have the back office infrastructure in place at the outset and look to an outsourcer to get them up and running.

In these situations, LPM Outsourcing (LPM), as an established organisation with a proven track record specialising in back office administration for the financial services sector, is an ideal partner.

MAN is a leading international provider of commercial vehicle and transport solutions. In 2000, MAN established its own financial services company, MAN Financial Services. Having previously worked with a banking partner and supplied financial services through a vendor finance programme, the company made a strategic decision to outsource these functions to a specialist partner who could produce the results MAN Financial Services required.

"We decided we wanted to retain the profitability in house and provide the financing ourselves," says Andrew Laming, CFO MAN Financial Services. "But 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 a leasing operation to help MAN Financial Services 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 MAN with no head count or recruitment costs.

A "standing start" is how Andrew Laming would describe MAN Financial Services' 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."

MAN's business developed very quickly over the first 3 or 4 years in line with original forecasts. "Our financing volume, or the balance sheet value of the assets on our books, has grown to around £250m over the last eight years," explains Laming. "And we could never have achieved this level of growth, at relatively low cost and low risk, without outsourcing the leasing administration to LPM."

### **Efficiency and professionalism guaranteed**

On average, LPM Outsourcing would raise between 1,500 and 2,000 invoices on behalf of MAN Financial Services during a 12 month period. This amounted to a major responsibility for LPM as an outsourcing partner both in terms of raising the invoices and debt management.

LPM delivered a professional service using MAN Financial Services' own brand identity with its experienced and flexible team "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."

The tailored Service Level Agreement (SLAs) clearly defined in plain English the performance requirements of the service MAN Financial Services could expect.

With its strength in debt collection, LPM also helped MAN Financial Services 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.

### **The transition to in-sourcing**



While LPM were able to provide a key service for MAN as a start up, ultimately the process needed to be brought in-house once the company reached a certain size. In addition, MAN's 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 MAN Financial Services for the preceding few 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 the complexities the migration took several months and was completed in January 2009.

### **Helping the business take ownership**

This support from LPM had real business benefits for MAN Financial Services, at a time critical for the success of a start up – the all important first few years – and enabled MAN Financial Services to meet its growth projections and move to the next level; by bringing its financing 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 MAN Financial Services developed hugely over the 8 years we worked together and perfectly demonstrates our ‘outsource to in-source’ service designed to accelerate growth and get start ups like MAN Financial Services 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 – 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 MAN Financial Services in such a strong position going forward as it takes ownership of its future.”

## **Notes to Editors**

### **About LPM Outsourcing**

LPM Outsourcing was formed in 1988 to offer a complete back office administration service to organisations that offer installment finance and equipment leasing and finance. LPM Outsourcing has over £1 billion of receivables currently under management from its clients which include Cisco Capital, SYSCAP, the Strategic Rail Authority and Triple Point LLP.

LPM Outsourcing is a division of Five Arrows Leasing Group and a member of the NM Rothschild banking group.

Visit [www.lpmoutsourcing.co.uk](http://www.lpmoutsourcing.co.uk) for more information and client case studies.

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